



[3510-16-P]

**DEPARTMENT OF COMMERCE**

**Patent and Trademark Office**

**37 CFR Part 42**

**[Docket No. PTO-P-2011-0083]**

**RIN 0651-AC71**

**Changes to Implement Inter Partes Review Proceedings**

**AGENCY:** United States Patent and Trademark Office, Commerce.

**ACTION:** Notice of proposed rulemaking.

**SUMMARY:** The United States Patent and Trademark Office (Office or USPTO) proposes new rules to implement the provisions of the Leahy-Smith America Invents Act that create a new inter partes review proceeding to be conducted before the Patent Trial and Appeal Board (Board). These provisions of the Leahy-Smith America Invents Act will take effect on September 16, 2012, one year after the date of enactment, and apply to any patent issued before, on, or after the effective date.

**DATES:** The Office solicits comments from the public on this proposed rulemaking. Written comments must be received on or before **[INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]** to ensure consideration.

**ADDRESSES:** Comments should be sent by electronic mail message over the Internet addressed to: [inter\\_partes\\_review@uspto.gov](mailto:inter_partes_review@uspto.gov). Comments may also be submitted by postal mail addressed to: Mail Stop Patent Board, Director of the United States Patent and Trademark Office, P.O. Box 1450, Alexandria, VA 22313-1450, marked to the attention of “Lead Judge Michael Tierney, Inter partes Review Proposed Rules.”

Comments may also be sent by electronic mail message over the Internet via the Federal eRulemaking Portal. See the Federal eRulemaking Portal Web site (<http://www.regulations.gov>) for additional instructions on providing comments via the Federal eRulemaking Portal.

Although comments may be submitted by postal mail, the Office prefers to receive comments by electronic mail message over the Internet because sharing comments with the public is more easily accomplished. Electronic comments are preferred to be submitted in plain text, but also may be submitted in ADOBE® portable document format or MICROSOFT WORD® format. Comments not submitted electronically should be submitted on paper in a format that facilitates convenient digital scanning into ADOBE® portable document format.

The comments will be available for public inspection at the Board of Patent Appeals and Interferences, currently located in Madison East, Ninth Floor, 600 Dulany Street, Alexandria, Virginia. Comments also will be available for viewing via the Office's Internet Web site (<http://www.uspto.gov>). Because comments will be made available for public inspection, information that the submitter does not desire to make public, such as an address or phone number, should not be included in the comments.

**FOR FURTHER INFORMATION CONTACT:** Michael Tierney,  
Lead Administrative Patent Judge, Scott Boalick, Lead Administrative Patent Judge,  
Robert Clarke, Administrative Patent Judge, and Lynn Kryza, Senior Administrator,  
Board of Patent Appeals and Interferences, by telephone at (571) 272-9797.

**SUPPLEMENTARY INFORMATION:**

On September 16, 2011, the Leahy-Smith America Invents Act was enacted into law (Pub. L. 112-29, 125 Stat. 284 (2011)). The purpose of the Leahy-Smith America Invents Act and these proposed regulations is to establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs. The preamble of this notice sets forth in detail the procedures by which the Board will conduct inter partes review proceedings. The USPTO is engaged in a transparent process to create a timely, cost-effective alternative to litigation. Moreover, the rulemaking process is designed to ensure the integrity of the

trial procedures. See 35 U.S.C. 316(b), as amended. The proposed rules would provide a set of rules relating to Board trial practice for inter partes review.

Section 6 of the Leahy-Smith America Invents Act is entitled “POST-GRANT REVIEW PROCEEDINGS” (Pub. L. 112-29, 125 Stat. 284, 299-305 (2011)). Section 6(a) of the Leahy-Smith America Invents Act, entitled “INTER PARTES REVIEW,” amends chapter 31 of title 35, United States Code, also entitled “INTER PARTES REVIEW.” In particular, section 6(a) of the Leahy-Smith America Invents Act amends 35 U.S.C. 311-318 and adds 35 U.S.C. 319.

Section 6(a) of the Leahy-Smith America Invents Act amends 35 U.S.C. 311, entitled “Inter partes review.” 35 U.S.C. 311(a), as amended, will provide that, subject to the provisions of chapter 31 of title 35, United States Code, a person who is not the owner of a patent may file a petition with the Office to institute an inter partes review of the patent. 35 U.S.C. 311(a), as amended, will also provide that the Director will establish, by regulation, fees to be paid by the person requesting the review, in such amounts as the Director determines to be reasonable, considering the aggregate costs of the review. 35 U.S.C. 311(b), as amended, will provide that a petitioner in an inter partes review may request to cancel as unpatentable one or more claims of a patent only on a ground that could be raised under 35 U.S.C. 102 or 103 and only on the basis of prior art consisting of patents or printed publications. 35 U.S.C. 311(c), as amended, will provide that a petition for inter partes review may be filed after the later of either: (1) the date that is nine months after the grant of a patent or issuance of a reissue of a patent; or (2) if a post-

grant review is instituted under chapter 32 of title 35, United States Code, the date of the termination of that post-grant review.

The grounds for seeking an inter partes review will be limited compared with post-grant review. The grounds for seeking inter partes review are limited to issues raised under 35 U.S.C. 102 or 103 and only on the basis of prior art consisting of patents or printed publications. In contrast, the grounds for seeking post-grant review includes any ground that could be raised under 35 U.S.C. 282(b)(2) or (3). Such grounds for post-grant review include grounds that could be raised under 35 U.S.C. 102 or 103 including those based on prior art consisting of patents or printed publications. Other grounds available for post-grant review include 35 U.S.C. 101 and 112, with the exception of compliance with the best mode requirement.

Section 6(a) of the Leahy-Smith America Invents Act amends 35 U.S.C. 312, entitled “Petitions.” 35 U.S.C. 312(a), as amended, will provide that a petition filed under 35 U.S.C. 311, as amended, may be considered only if certain conditions are met. First, the petition must be accompanied by payment of the fee established by the Director under 35 U.S.C. 311, as amended. Second, the petition must identify all real parties in interest. Third, the petition must identify, in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim, including: (A) copies of patents and printed publications that the petitioner relies upon in support of the petition and (B) affidavits or declarations of supporting evidence and opinions, if the petitioner relies on expert

opinions. Fourth, the petition must provide such other information as the Director may require by regulation. Fifth, the petitioner must provide copies of any of the documents required under paragraphs (2), (3), and (4) of 35 U.S.C. 312(a) to the patent owner or, if applicable, the designated representative of the patent owner. 35 U.S.C. 312(b), as amended, will provide that, as soon as practicable after the receipt of a petition under 35 U.S.C. 311, as amended, the Director will make the petition available to the public.

Section 6(a) of the Leahy-Smith America Invents Act amends 35 U.S.C. 313, entitled “Preliminary response to petition.” 35 U.S.C. 313, as amended, will provide that, if an inter partes review petition is filed under 35 U.S.C. 311, as amended, within a time period set by the Director, the patent owner has the right to file a preliminary response to the petition that sets forth reasons why no inter partes review should be instituted based upon the failure of the petition to meet any requirement of chapter 31 of title 35, United States Code.

Section 6(a) of the Leahy-Smith America Invents Act amends 35 U.S.C. 314, entitled “Institution of inter partes review.” 35 U.S.C. 314(a), as amended, will provide that the Director may not authorize an inter partes review to be instituted, unless the Director determines that the information presented in the petition filed under 35 U.S.C. 311 and any response filed under 35 U.S.C. 313 shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least one of the claims challenged in the petition. 35 U.S.C. 314(b), as amended, will provide that the Director will determine whether to institute an inter partes review under chapter 31 of title 35, United States

Code, pursuant to a petition filed under 35 U.S.C. 311, as amended, within three months after: (1) receiving a preliminary response to the petition under 35 U.S.C. 313, as amended; or (2) if no such preliminary response is filed, the last date on which such response may be filed. 35 U.S.C. 314(c), as amended, will provide that the Director will notify the petitioner and patent owner, in writing, of the Director's determination under 35 U.S.C. 314(a), and will make the notice available to the public as soon as is practicable. 35 U.S.C. 314(c), as amended, will also provide that the notice will include the date on which the review will commence. 35 U.S.C. 314(d), as amended, will provide that the determination by the Director whether to institute an inter partes review under 35 U.S.C. 314 will be final and nonappealable.

Section 6(a) of the Leahy-Smith America Invents Act amends 35 U.S.C. 315, entitled "Relation to other proceedings or actions." 35 U.S.C. 315(a)(1), as amended, will provide that an inter partes review may not be instituted if, before the date on which the petition for review is filed, the petitioner or real party in interest filed a civil action challenging the validity of a claim of the patent. 35 U.S.C. 315(a)(2), as amended, will provide for an automatic stay of a civil action brought by the petitioner or real party in interest challenging the validity of a claim of the patent and filed on or after the date on which the petition for inter partes review was filed, until certain specified conditions are met. 35 U.S.C. 315(a)(3), as amended, will provide that a counterclaim challenging the validity of a claim of a patent does not constitute a civil action challenging the validity of a claim of a patent for purposes of 35 U.S.C. 315(a), as amended.

35 U.S.C. 315(b), as amended, will provide that an inter partes review may not be instituted if the petition requesting the proceeding is filed more than one year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent. However, the time limitation set forth in 35 U.S.C. 315(b), as amended, will not apply to a request for joinder under 35 U.S.C. 315(c), as amended.

35 U.S.C. 315(c), as amended, will provide that if the Director institutes an inter partes review, the Director may, in the Director's discretion, join as a party to that inter partes review any person who properly files a petition under 35 U.S.C. 311 that the Director, after receiving a preliminary response under 35 U.S.C. 313 or the expiration of the time for filing such a response, determines warrants the institution of an inter partes review under 35 U.S.C. 314.

35 U.S.C. 315(d), as amended, will provide that, notwithstanding 35 U.S.C. 135(a), as amended, 251, and 252, and chapter 30 of title 35, United States Code, during the pendency of an inter partes review, if another proceeding or matter involving the patent is before the Office, the Director may determine the manner in which the inter partes review or other proceeding or matter may proceed, including providing for stay, transfer, consolidation, or termination of any such matter or proceeding.

35 U.S.C. 315(e)(1), as amended, will provide that the petitioner in an inter partes review of a claim in a patent under chapter 31 of title 35, United States Code, that results in a



final written decision under 35 U.S.C. 318(a), or the real party in interest or privy of the petitioner, may not request or maintain a proceeding before the Office with respect to that claim on any ground that the petitioner raised or reasonably could have raised during that inter partes review. 35 U.S.C. 315(e)(2), as amended, will provide for estoppel against an inter partes review petitioner, or the real party in interest or privy of the petitioner, in certain civil actions and certain other proceedings before the International Trade Commission if that inter partes review results in a final written decision under 35 U.S.C. 318(a).

Section 6(a) of the Leahy-Smith America Invents Act amends 35 U.S.C. 316, entitled “Conduct of inter partes review.” 35 U.S.C. 316(a), as amended, will provide that the Director will prescribe regulations: (1) providing that the file of any proceeding under chapter 31 of title 35, United States Code, will be made available to the public, except that any petition or document filed with the intent that it be sealed will, if accompanied by a motion to seal, be treated as sealed pending the outcome of the ruling on the motion; (2) setting forth the standards for the showing of sufficient grounds to institute a review under 35 U.S.C. 314(a); (3) establishing procedures for the submission of supplemental information after the petition is filed; (4) establishing and governing inter partes review under chapter 31 of title 35, United States Code, and the relationship of such review to other proceedings under title 35, United States Code; (5) setting forth standards and procedures for discovery of relevant evidence, including that such discovery will be limited to: (A) the deposition of witnesses submitting affidavits or declarations, and (B) what is otherwise necessary in the interest of justice; (6) prescribing sanctions for abuse

of discovery, abuse of process, or any other improper use of the proceeding, such as to harass or to cause unnecessary delay or an unnecessary increase in the cost of the proceeding; (7) providing for protective orders governing the exchange and submission of confidential information; (8) providing for the filing by the patent owner of a response to the petition under 35 U.S.C. 313, as amended, after an inter partes review has been instituted, and require that the patent owner file with such response, through affidavits or declarations, any additional factual evidence and expert opinions on which the patent owner relies in support of the response; (9) setting forth standards and procedures for allowing the patent owner to move to amend the patent under 35 U.S.C. 316(d), as amended, to cancel a challenged claim or propose a reasonable number of substitute claims, and ensure that any information submitted by the patent owner in support of any amendment entered under 35 U.S.C. 316(d), as amended, is made available to the public as part of the prosecution history of the patent; (10) providing either party with the right to an oral hearing as part of the proceeding; (11) requiring that the final determination in an inter partes review will be issued not later than one year after the date on which the Director notices the institution of a review under chapter 31 of title 35, United States Code, except that the Director may, for good cause shown, extend the one-year period by not more than six months, and may adjust the time periods in this paragraph in the case of joinder under 35 U.S.C. 315(c), as amended; (12) setting a time period for requesting joinder under 35 U.S.C. 315(c), as amended; and (13) providing the petitioner with at least one opportunity to file written comments within a time period established by the Director.

35 U.S.C. 316(b), as amended, will provide that in prescribing regulations under 35 U.S.C. 316, the Director will consider the effect of any such regulation on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to complete timely proceedings instituted under chapter 31 of title 35, United States Code.

35 U.S.C. 316(c), as amended, will provide that the Patent Trial and Appeal Board will, in accordance with 35 U.S.C. 6, conduct each inter partes review instituted under chapter 31 of title 35, United States Code.

35 U.S.C. 316(d)(1), as amended, will provide that during an inter partes review instituted under chapter 31 of title 35, United States Code, the patent owner may file one motion to amend the patent in one or more of the following ways: (A) cancel any challenged patent claim; and (B) for each challenged claim, propose a reasonable number of substitute claims. 35 U.S.C. 316(d)(2), as amended, provides that additional motions to amend may be permitted upon the joint request of the petitioner and the patent owner to materially advance the settlement of a proceeding under 35 U.S.C. 317, as amended, or as permitted by regulations prescribed by the Director. 35 U.S.C. 316(d)(3), as amended, will provide that an amendment under 35 U.S.C. 316(d) may not enlarge the scope of the claims of the patent or introduce new matter.

35 U.S.C. 316(e), as amended, will provide that in an inter partes review instituted under chapter 31 of title 35, United States Code, the petitioner has the burden of proving a proposition of unpatentability by a preponderance of the evidence.

Section 6(a) of the Leahy-Smith America Invents Act amends 35 U.S.C. 317, entitled “Settlement.” 35 U.S.C. 317(a), as amended, will provide that an inter partes review instituted under chapter 31 of title 35, United States Code, will be terminated with respect to any petitioner upon the joint request of the petitioner and the patent owner, unless the Office has decided the merits of the proceeding before the request for termination is filed. 35 U.S.C. 317(a), as amended, will also provide that if the inter partes review is terminated with respect to a petitioner under 35 U.S.C. 317, no estoppel under 35 U.S.C. 315(e), as amended, will attach to the petitioner, or to the real party in interest or privy of the petitioner, on the basis of that petitioner’s institution of that inter partes review. 35 U.S.C. 317(a), as amended, will further provide that if no petitioner remains in the inter partes review, the Office may terminate the review or proceed to a final written decision under 35 U.S.C. 318(a).

35 U.S.C. 317(b), as amended, will provide that any agreement or understanding between the patent owner and a petitioner, including any collateral agreements referred to in the agreement or understanding, made in connection with, or in contemplation of, the termination of an inter partes review under 35 U.S.C. 317 will be in writing and a true copy of such agreement or understanding will be filed in the Office before the termination of the inter partes review as between the parties. 35 U.S.C. 317(b), as

amended, will also provide that at the request of a party to the proceeding, the agreement or understanding will be treated as business confidential information, will be kept separate from the file of the involved patents, and will be made available only to Federal Government agencies on written request, or to any person on a showing of good cause.

Section 6(a) of the Leahy-Smith America Invents Act amends 35 U.S.C. 318, entitled “Decision of the Board.” 35 U.S.C. 318(a), as amended, will provide that if an inter partes review is instituted and not dismissed under chapter 31 of title 35, United States Code, the Patent Trial and Appeal Board will issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added under 35 U.S.C. 316(d). 35 U.S.C. 318(b), as amended, will provide that if the Patent Trial and Appeal Board issues a final written decision under 35 U.S.C. 318(a) and the time for appeal has expired or any appeal has terminated, the Director will issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent by operation of the certificate any new or amended claim determined to be patentable. 35 U.S.C. 318(c), as amended, will provide that any proposed amended or new claim determined to be patentable and incorporated into a patent following an inter partes review under chapter 31 of title 35, United States Code, will have the same effect as that specified in 35 U.S.C. 252 for reissued patents on the right of any person who made, purchased, or used within the United States, or imported into the United States, anything patented by such proposed amended or new claim, or who made substantial preparation therefor, before the issuance of a certificate under

35 U.S.C. 318(b). 35 U.S.C. 318(d), as amended, will provide that the Office will make available to the public data describing the length of time between the institution of, and the issuance of a final written decision under 35 U.S.C. 318(a), for each inter partes review.

Section 6(a) of the Leahy-Smith America Invents Act adds 35 U.S.C. 319, entitled “Appeal.” 35 U.S.C. 319 will provide that a party dissatisfied with the final written decision of the Patent Trial and Appeal Board under 35 U.S.C. 318(a), as amended, may appeal the decision pursuant to 35 U.S.C. 141-144. 35 U.S.C. 319 will also provide that any party to the inter partes review will have the right to be a party to the appeal.

Section 6(c) of the Leahy-Smith America Invents Act is entitled “REGULATIONS AND EFFECTIVE DATE.” Section 6(c)(1) of the Leahy-Smith America Invents Act provides that the Director will, not later than the date that is one year after the date of the enactment of the Leahy-Smith America Invents Act, issue regulations to carry out chapter 31 of title 35, United States Code, as amended by section 6(a) of the Leahy-Smith America Invents Act.

Section 6(c)(2)(A) of the Leahy-Smith America Invents Act provides that the amendments made by section 6(a) of the Leahy-Smith America Invents Act will take effect upon the expiration of the one-year period beginning on the date of the enactment of the Leahy-Smith America Invents Act, and will apply to any patent issued before, on, or after that effective date.

Section 6(c)(2)(B) of the Leahy-Smith America Invents Act provides that the Director may impose a limit on the number of inter partes reviews that may be instituted under chapter 31 of title 35, United States Code, during each of the first four one-year periods in which the amendments made by section 6(a) of the Leahy-Smith America Invents Act are in effect, if such number in each year equals or exceeds the number of inter partes reexaminations that are ordered under chapter 31 of title 35, United States Code, in the last fiscal year ending before the effective date of the amendments made by section 6(a) of the Leahy-Smith America Invents Act.

Section 6(c)(3) Leahy-Smith America Invents Act provides a transition provision for the granting, conduct, and termination of inter partes reexaminations on or after the effective date of the Leahy-Smith America Invents Act. The Office in a separate rulemaking revised the rules governing inter partes reexamination to implement the transition provision that changes the standard for granting a request for inter partes reexamination, and to reflect the termination of inter partes reexamination effective September 16, 2012. See Revision of Standard for Granting an Inter partes Reexamination Request, 76 FR 59055 (Sept. 23, 2011) (final rule).

### **Discussion of Specific Rules**

This notice proposes new rules to implement the provisions of the Leahy-Smith America Invents Act for instituting and conducting inter partes review proceedings before the Patent Trial and Appeal Board (Board). As previously discussed, 35 U.S.C. 316(a)(4), as

amended by the Leahy-Smith America Invents Act, provides that the Director will prescribe regulations establishing and governing inter partes review and the relationship of the review to other proceedings under title 35 of the United States Code. In particular, this notice proposes to add a new subpart B to 37 CFR part 42 to provide rules specific to inter partes review.

Additionally, the Office in a separate rulemaking is proposing to add part 42, (RIN 0651-AC70) including subpart A, that would include a consolidated set of rules relating to Board trial practice. More specifically, the proposed subpart A of part 42 would set forth the policies, practices, and definitions common to all trial proceedings before the Board. The proposed rules in the instant notice and discussion below may reference the proposed rules in subpart A of part 42. Furthermore, the Office in separate rulemakings is proposing to add a new subpart C to 37 CFR part 42 (RIN 0651-AC72) to provide rules specific to post-grant review, a new subpart D to 37 CFR part 42 (RIN 0651-AC73; RIN 0651-AC75) to provide rules specific to the transitional program for covered business method patents, and a new subpart E to 37 CFR part 42 (RIN 0651-AC74) to provide rules specific to derivation.

Title 37 of the Code of Federal Regulations, Chapter I, Part 42, Subpart B, entitled “Inter partes Review” is proposed to be added as follows:

Section 42.100: Proposed § 42.100 would set forth policy considerations for inter partes review proceedings.



Proposed § 42.100(a) would provide that an inter partes review is a trial and subject to the rules set forth in subpart A of title 42, Code of Federal Regulations.

Proposed § 42.100(b) would provide that a claim in an unexpired patent shall be given its broadest reasonable construction in light of the specification in which it appears. This proposed rule would be consistent with longstanding established principles of claim construction before the Office. In re Am. Acad. of Sci. Tech Ctr., 367 F.3d 1359, 1364 (Fed. Cir. 2004); In re Yamamoto, 740 F.2d 1569, 1571 (Fed. Cir. 1984). As explained in Yamamoto, a party's ability to amend claims to avoid prior art distinguishes Office proceedings from district court proceedings and justifies the difficult standard for claim interpretation. Yamamoto, 740 F.2d at 1572.

Proposed § 42.100(c) would provide a one-year time frame for administering the proceeding after institution, with up to a six-month extension for good cause. This proposed rule is consistent with 35 U.S.C. 316(a)(11), as amended, which sets forth statutory time frames for inter partes review.

Section 42.101: Proposed § 42.101 would provide who may file a petition for inter partes review.

Proposed § 42.101(a) would provide that a party or real party in interest must file a petition prior to the filing of a civil action challenging the validity of a claim of the patent. The proposed rule would follow the statutory language of 35 U.S.C. 315(a), as amended, which will provide that inter partes reviews are barred by prior filing of such a civil action.

Proposed § 42.101(b) would provide that a petition may not be filed more than one year after the date on which the petitioner, the petitioner's real party in interest, or a privy of the petitioner was served with a complaint alleging infringement. The proposed rule would follow the statutory language of 35 U.S.C. 315(b), as amended, which will provide a one-year time limit after date of service of complaint.

Proposed § 42.101(c) would provide that a person may not file a petition where the petitioner, the petitioner's real party in interest, or a privy of the petitioner is estopped from challenging the claims. The proposed rule is consistent with 35 U.S.C. 315(e)(1), as amended, which will provide for estoppel arising from a final written decision in an inter partes review. The proposed rule is also consistent with 35 U.S.C. 325(e)(1), which will provide for estoppel arising from a final written decision in a post-grant review or a covered business method review.

Section 42.102: Proposed § 42.102 would provide a timeliness requirement for filing an inter partes review petition.

Proposed § 42.102(a) would provide that a petition for inter partes review must be filed consistent with the requirements set forth in 35 U.S.C. 311(c), as amended.

Petitions requesting the institution of an inter partes review that are filed nine months after the grant of the patent or of the issuance of the reissue patent, but prior to the institution of a post-grant review would be considered timely filed. Additionally, petitions filed after termination of a post-grant review would be considered timely.

Proposed § 42.102(b) would provide that the Director may set a limit on the number of inter partes reviews that may be instituted during each of the first four one-

year periods after inter partes review takes effect. This proposed rule is consistent with section 6(c)(2)(B) of the Leahy-Smith America Invents Act (Pub. L. 112-29, 125 Stat. 284, 304 (2011)), which provides for graduated implementation of inter partes reviews. The Office however, does not expect to limit the number of petitions at this time.

Section 42.103: Proposed § 42.103 would set forth the fee requirement for filing an inter partes review petition.

Proposed § 42.103(a) would provide that a fee under § 42.15(a) must accompany a petition for inter partes review.

Proposed § 42.103(b) would provide that that no filing date will be accorded until full payment is received. This proposed rule is consistent with 35 U.S.C. 312(a)(1), as amended, which will provide that a petition may only be considered if the petition is accompanied by the payment of the fee established by the Director.

Section 42.104: Proposed § 42.104 would provide for the content of petitions to institute an inter partes review. The proposed rule is consistent with 35 U.S.C 312(a)(4), as amended, which allows the Director to prescribe regulations concerning the information provided with the petition.

Proposed § 42.104(a) would provide that a petition must demonstrate that the petitioner has standing. To establish standing, a petitioner, at a minimum, must certify that the patent is available for inter partes review and that the petitioner is not barred or estopped from requesting an inter partes review. This proposed requirement would attempt to ensure that a party has standing to file the inter partes review and would help

prevent spuriously-instituted inter partes reviews. Facially-improper standing would be a basis for denying the petition without proceeding to the merits of the petition.

Proposed § 42.104(b) would require that the petition identify the precise relief requested for the claims challenged. Specifically, the proposed rule would require that the petition identify each claim being challenged, the specific grounds on which each claim is challenged, how the claims are to be construed, why the claims as construed are unpatentable under the identified grounds, and the exhibit numbers of the evidence relied upon with a citation to the portion of the evidence that is relied upon to support the challenge. This proposed rule is consistent with 35 U.S.C. 312(a)(3), as amended, which requires that the petition identify, in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence supporting the challenge. It is also consistent with 35 U.S.C. 312(a)(4), as amended, which allows the Director to require additional information as part of the petition. The proposed rule would provide an efficient means for identifying the legal and factual basis for satisfying the threshold for instituting inter partes review and would provide the patent owner with a minimum level of notice as to the basis for the challenge to the claims.

Proposed § 42.104(c) would provide that a petitioner seeking to correct clerical or typographical mistakes in a petition could file a motion to correct the mistakes. The proposed rule would also provide that the grant of such a motion would not alter the filing date of the petition.

Section 42.105: Proposed § 42.105 would provide petition and exhibit service requirements in addition to the service requirements of § 42.6.

Proposed § 42.105(a) would require that the petitioner serve the patent owner at the correspondence address of record for the subject patent and permits service at any other address known to the petitioner as likely to effect service as well. Once a patent has issued, communications between the Office and the patent owner often suffer. Ray v. Lehman, 55 F.3d 606 (Fed. Cir. 1995) (patentee's failure to maintain correspondence address contributed to failure to pay maintenance fee and therefore expiration of the patent). While the proposed rule requires service at the correspondence address of record in the patent, the petitioner will already be in communication with the patent owner in many cases at a better service address than the correspondence address of record for the subject patent.

Proposed § 42.105(b) would address the situation where service to the official correspondence address of the patent does not result in actual service on the patent owner. When the petitioner becomes aware of a service problem, the petitioner would be required to promptly advise the Board of the problem. The petitioner might then be required to certify that it is not aware of any better address for service of the patent owner. The Board may authorize other forms of service, such as service by publication in the Official Gazette of the United States Patent and Trademark Office or Federal Register.

Section 42.106: Proposed § 42.106 would provide for the filing date requirements of an inter partes review petition.

Proposed § 42.106(a) would provide requirements for a complete petition. 35 U.S.C. 312(a), as amended, states that a petition may only be considered when the petition identifies all the real parties in interest, when a copy of the petition is provided to the patent owner or the owner's representative and the petition is accompanied by the fee established by the Director. Consistent with the statute, the proposed rule would require that a petition to institute an inter partes review will not be accorded a filing date until the petition: (1) complies with § 42.104; (2) is served upon the patent owner at the correspondence address of record provided in § 42.105(a); and (3) is accompanied by the fee set forth in § 42.15(a).

Proposed § 42.106(b) would provide petitioners a one month time frame to correct defective petitions to institute an inter partes review. The proposed rule is consistent with the requirement of 35 U.S.C. 312(a), as amended, that the Board may not consider a petition that fails to meet the statutory requirements for a petition. In determining whether to grant a filing date, the Board would review the petitions for procedural compliance. Where a procedural defect is noted, e.g., failure to state the claims being challenged, the Board would notify the petitioner that the petition was incomplete and identify any non-compliance issues.

Section 42.107: Proposed § 42.107 would set forth the procedure in which the patent owner may file a preliminary response.

Proposed § 42.107(a) would provide that the patent owner may file a preliminary response to the petition. The rule is consistent with 35 U.S.C. 313, as amended, which provides for such a response.

Proposed § 42.107(b) would provide that the due date for the preliminary response to petition is no later than two months from the date of the notice that the request to institute an inter partes review has been granted a filing date. This proposed rule is consistent with 35 U.S.C. 313, as amended, which provides that the Director shall set a time period for filing the preliminary patent owner response.

Under 35 U.S.C. 314(b), as amended, the Board has three months from the filing of the preliminary patent owner response, or three months from the date such a response was due, to determine whether to institute the review. A patent owner seeking a shortened period for such a determination may wish to file a preliminary patent owner response well before the date the preliminary patent owner response is due, including filing a paper stating that no preliminary patent owner response will be filed. No adverse inferences will be drawn where a patent owner elects not to file a response or elects to waive the response.

Proposed § 42.107(c) would provide that the preliminary patent owner response would not be allowed to present new testimony evidence, for example, expert witness testimony on patentability. 35 U.S.C. 313, as amended, will provide that a preliminary patent owner response set forth reasons why no inter partes review should be instituted. In contrast, 35 U.S.C. 316(a)(8), as amended, provides for a patent owner response after institution and requires the presentation, through affidavits or declarations, of any additional factual evidence and expert opinions on which the patent owner relies in support of the response. The difference in statutory language demonstrates that 35 U.S.C. 313, as amended, does not require the presentation of evidence in the form of testimony in support of a preliminary patent owner response and the proposed rule

reflects this distinction. In certain instances, however, a patent owner may be granted additional discovery before filing their preliminary response and submit any testimonial evidence obtained through the discovery. For example, additional discovery may be authorized where patent owner raises sufficient concerns regarding the petitioner's certification of standing.

Proposed § 42.107(d) would provide that the preliminary patent owner response would not be allowed to include any amendment. See proposed § 42.121 for filing a motion to amend the patent after an inter partes review has been instituted.

Proposed § 42.107(e) would provide that the patent owner may file a statutory disclaimer under 35 U.S.C. 253(a) in compliance with § 1.321(a), disclaiming one or more claims in the patent, and no inter partes review will be instituted based on disclaimed claims.

Section 42.108: Proposed § 42.108 would provide for the institution of an inter partes review.

35 U.S.C. 314(a), as amended, states that the Director may not authorize an inter partes review to be instituted, unless the Director determines that the information in the petition, and any preliminary patent owner response, shows that there is a reasonable likelihood of success that the petitioner would prevail with respect to at least one of the claims challenged in the petition. Proposed § 42.108 is consistent with this statutory requirement and identifies how the Board may authorize such a review to proceed.



Proposed § 42.108(a) would provide that the Board may authorize the review to proceed on all or some of the challenged claims and on all or some of the grounds of unpatentability asserted for each claim. Specifically, in instituting the review, the Board would authorize the review to proceed on the challenged claims for which the threshold requirements for the proceeding have been met. The Board will identify which of the grounds the review will proceed upon on a claim-by-claim basis. Any claim or issue not included in the authorization for review is not part of the review. The Office intends to publish a notice of the institution of an inter partes review in the Official Gazette.

Proposed § 42.108(b) would provide that the Board, prior to institution of a review, may deny some or all grounds for unpatentability on some or all of the challenged claims. This proposed rule is consistent with the efficient administration of the Office, which is a consideration in prescribing inter partes review regulations under 35 U.S.C. 316(b), as amended.

Proposed § 42.108(c) would provide that the institution is based on a reasonable likelihood standard and is consistent with the requirements of 35 U.S.C. 314(a), as amended. A reasonable likelihood standard is a somewhat flexible standard that allows the judge room for the exercise of judgment.

Section 42.120: Proposed § 42.120 would set forth the procedure in which the patent owner may file a patent owner response.

Proposed § 42.120(a) would provide for a patent owner response and is consistent with the requirements of 35 U.S.C. 316(a)(8), as amended.

Proposed § 42.120(b) would provide that if no time for filing a patent owner response to a petition is provided in a Board order, the default time for filing the response would be two months from the date the inter partes review was instituted. The Board's experience with patent owner responses is that two months provides a sufficient amount of time to respond in a typical case, especially as the patent owner would already have been provided two months to file a preliminary patent owner response prior to institution of the inter partes review. Additionally, the proposed time for response is consistent with the requirement that the trial be conducted such that a final decision is rendered within one year of the institution of the review. 35 U.S.C. 316(a)(11), as amended.

Section 42.121: Proposed § 42.121 would provide a procedure for a patent owner to file motions to amend the patent.

Proposed § 42.121(a) would make it clear that the first motion to amend need not be authorized by the Board. If the motion complies with the timing and procedural requirements, the motion would be entered. Additional motions to amend would require prior Board authorization. All motions to amend, even if entered, will not automatically result in entry of the proposed amendment into the patent.

The requirement to consult the Board reflects the Board's need to regulate the substitution of claims and the amendment of the patent to control unnecessary proliferation of issues and abuses. The proposed rule aids in the efficient administration of the Office and the timely completion of the review under 35 U.S.C. 316(b), as amended.

Proposed § 42.121(b) would provide that a motion to amend the claims must set forth: (1) the support in the original disclosure of the patent for each claim that is added or amended, and (2) the support in an earlier filed disclosure for each claim for which benefit of the filing date of the earlier filed disclosure is sought.

Proposed § 42.121(c) would provide that a motion to amend the claims will not be authorized where the amendment does not respond to the ground of unpatentability involved in the trial or seeks to enlarge the scope of the claims or introduce new matter. The proposed rule aids the efficient administration of the Office and the timely completion of the review under 35 U.S.C. 316(b), as amended, and also is consistent with 35 U.S.C. 316(d)(3), as amended, which prohibits enlarging the scope of the claims or introducing new matter.

Under the proposed rules, a patent owner may request filing more than one motion to amend its claims during the course of the proceeding. Additional motions to amend may be permitted upon a demonstration of good cause by the patent owner. In considering whether good cause is shown, the Board will take into account how the filing of such motions would impact the timely completion of the proceeding and the additional burden placed on the petitioner. Specifically, belated motions to amend may cause the integrity and efficiency of the review to suffer as the petitioner may be required to devote significant time and resources on claims that are of constantly changing scope. Further, due to time constraints, motions to amend late in the process may not provide a petitioner a full and fair opportunity to respond to the newly presented subject matter. Accordingly, the longer a patent owner waits to request authorization to file an additional motion to amend, the higher the likelihood the request will be denied. Similarly, motions to amend

may be permitted upon a joint request of the petitioner and the patent owner to advance settlement where the motion does not jeopardize the ability of the Office to timely complete the proceeding.

Section 42.122: Proposed § 42.122 would prescribe a rule consistent with the requirements of 35 U.S.C. 315(d), as amended, regarding multiple proceedings involving the subject patent. When there is a question of a stay concerning a matter for which a statutory time period is running in one of the proceedings, it is expected that the Director would be consulted prior to issuance of a stay, given that the stay would impact the ability of the Office to meet the statutory deadline. For example, it is expected that the Board would consult the Director prior to the issuance of a stay in an ex parte reexamination proceeding where the three month statutory time period under 35 U.S.C. 303 is running.

Section 42.123: Proposed § 42.123 would provide for the filing of supplemental information. 35 U.S.C. 316(a)(3), as amended, provides that the Director will establish regulations establishing procedures for filing supplemental information after the petition is filed. 35 U.S.C. 314(a), as amended, provides that the institution of an inter partes review is based upon the information filed in the petition under 35 U.S.C. 311 and any response filed under 35 U.S.C. 313, as amended. As the institution of the inter partes review is not based upon supplemental information, the proposed rule would provide that motions identifying supplemental information be filed after the institution of the inter partes review.

## Rulemaking Considerations

**A. Administrative Procedure Act (APA):** This notice proposes rules of practice concerning the procedure for requesting an inter partes review, and the trial process after initiation of such a review. The changes being proposed in this notice do not change the substantive criteria of patentability. These proposed changes involve rules of agency practice and procedure and/or interpretive rules. See Bachow Commc'ns Inc. v. FCC, 237 F.3d 683, 690 (D.C. Cir. 2001) (rules governing an application process are procedural under the Administrative Procedure Act); Inova Alexandria Hosp. v. Shalala, 244 F.3d 342, 350 (4th Cir. 2001) (rules for handling appeals were procedural where they did not change the substantive standard for reviewing claims); Nat'l Org. of Veterans' Advocates v. Sec'y of Veterans Affairs, 260 F.3d 1365, 1375 (Fed. Cir. 2001) (rule that clarifies interpretation of a statute is interpretive).

Accordingly, prior notice and opportunity for public comment are not required pursuant to 5 U.S.C. 553(b) or (c) (or any other law), and thirty-day advance publication is not required pursuant to 5 U.S.C. 553(d) (or any other law). See Cooper Techs. Co. v. Dudas, 536 F.3d 1330, 1336-37 (Fed. Cir. 2008) (stating that 5 U.S.C. 553, and thus 35 U.S.C. 2(b)(2)(B), does not require notice and comment rule making for “interpretative rules, general statements of policy, or rules of agency organization, procedure, or practice”) (quoting 5 U.S.C. 553(b)(A)). The Office, however, is publishing these changes and the Initial Regulatory Flexibility Act analysis, below, for comment as it seeks the benefit of

the public's views on the Office's proposed implementation of these provisions of the Leahy-Smith America Invents Act.

**B. Regulatory Flexibility Act:** The Office estimates that 460 petitions for inter partes review will be filed in fiscal year 2013. This will be the first fiscal year in which inter partes review proceedings will be available for an entire fiscal year. The estimate for inter partes review petitions is partially based on the number of inter partes reexamination requests under 37 CFR 1.915 that have been filed in fiscal years 2010 and 2011.

The Office received 281 requests for inter partes reexamination in fiscal year 2010. See Table 13B of the United States Patent and Trademark Office Performance and Accountability Report for Fiscal Year 2010, available at <http://www.uspto.gov/about/stratplan/ar/2010/USPTOFY2010PAR.pdf>.

The Office received 374 requests for inter partes reexamination in fiscal year 2011. See Table 14B of the United States Patent and Trademark Office Performance and Accountability Report for Fiscal Year 2011, available at <http://www.uspto.gov/about/stratplan/ar/2011/USPTOFY2011PAR.pdf>.

Additionally, the Office takes into consideration the recent growth rate in the number of requests for inter partes reexamination, the projected growth due to an expansion in the number of eligible patents under the inter partes review provisions of the Leahy-Smith

America Invents Act (see § 6(c)), and the more restrictive filing time period in 35 U.S.C. 315(b), as amended by the Leahy-Smith America Invents Act.

The Office has reviewed the entity status of patents for which inter partes reexamination was requested from October 1, 2000, to September 23, 2011. This data only includes filings granted a filing date in the particular year rather than filings in which a request was received in the year. The first inter partes reexamination was filed on July 27, 2001. A summary of that review is provided in Table 1 below. As shown by Table 1, patents known to be owned by a small entity represented 32.79% of patents for which inter partes reexamination was requested. Based on an assumption that the same percentage of patents owned by small entities will be subject to inter partes review, it is estimated that 151 petitions for inter partes review would be filed to seek review of patents owned by a small entity in fiscal year 2013, the first full fiscal year that these proceedings will be available.

Table 1:

<u>Inter partes</u> Reexamination Requests Filed with Parent Entity Type*			
* Small entity status determined by reviewing preexamination small entity indicator for the parent patent.			
Fiscal Year	<u>Inter partes</u> Reexamination Requests Filed	Number Filed Where Parent Patent Is Small Entity Type	Percent Small Entity Type of Total
2011	329	123	37.39%
2010	255	94	36.86%
2009	240	62	25.83%
2008	155	52	33.55%
2007	127	35	27.56%
2006	61	17	27.87%
2005	59	18	30.51%
2004	26	5	19.23%
2003	21	12	57.14%
2002	4	1	25.00%
2001	1	0	0.00%
	1,278	419	32.79%

Based on the number of patents issued during fiscal years 1995 through 1999 that paid the small entity third stage maintenance fee, the number of patents issued during fiscal years 2000 through 2003 that paid the small entity second stage maintenance fee, the number of patents issued during fiscal years 2004 through 2007 that paid the first stage maintenance fee, and the number of patents issued during fiscal years 2008 through 2011



that paid a small entity issue fee, there are no less than 375,000 patents owned by small entities in force as of October 1, 2011.

Furthermore, the Office recognizes that there would be an offset to this number for patents that expire earlier than twenty years from their filing date due to a benefit claim to an earlier application or due to a filing of a terminal disclaimer. The Office likewise recognizes that there would be an offset in the opposite manner due to the accrual of patent term extension and adjustment. The Office, however, does not maintain data on the date of expiration by operation of a terminal disclaimer. Therefore, the Office has not adjusted the estimate of 375,000 patents owned by small entities in force as of October 1, 2011. While the Office maintains information regarding patent term extension and adjustment accrued by each patent, the Office does not collect data on the expiration date of patents that are subject to a terminal disclaimer. As such, the Office has not adjusted the estimated of 375,000 patents owned by small entities in force as of October 1, 2011, for accrual of patent term extension and adjustment, because in view of the incomplete terminal disclaimer data issue, would be incomplete and any estimate adjustment would be administratively burdensome. Thus, it is estimated that the number of small entity patents in force in fiscal year 2013 will be at least 375,000.

Based on the estimated number of patents in force, the number of small entity owned patents impacted by inter partes review in fiscal year 2013 (151 patents) would be less than 0.05% ( $151/375,000$ ) of all patents in force that are owned by small entities. The

USPTO nonetheless has undertaken an Initial Regulatory Flexibility Act Analysis of the proposed rule.

**1. Description of the Reasons That Action by the Office Is Being Considered:** On September 16, 2011, the Leahy-Smith America Invents Act was enacted into law (Pub. L. 112-29, 125 Stat. 284 (2011)). Section 6 of the Leahy-Smith America Invents Act amends chapter 31 of title 35, United States Code, to create a new inter partes review proceeding which will take effect on September 16, 2012, one year after the date of enactment, and eliminate inter partes reexamination (except for requests filed before the effective date of September 16, 2012). For the implementation, § 6(c) of the Leahy-Smith America Invents Act requires that the Director issue regulations to carry out chapter 31 as amended of title 35, United States Code, within one year after the date of enactment. Pub. L. 112-29, § 6(c), 125 Stat. 284, 304 (2011).

**2. Succinct Statement of the Objectives of, and Legal Basis for, the Proposed Rules:**

The proposed rules seek to implement inter partes review as authorized by the Leahy-Smith America Invents Act. The Leahy-Smith America Invents Act requires that the Director prescribe rules for the inter partes review that result in a final determination not later than one year after the date on which the Director notices the institution of a proceeding. The one-year period may be extended for not more than six months if good cause is shown. See 35 U.S.C. 316(a)(11), as amended. The Leahy-Smith America Invents Act also requires that the Director, in prescribing rules for the inter partes review, consider the effect of the rules on the economy, the integrity of the patent system, the

efficient administration of the Office, and the ability of the Office to complete timely the instituted proceedings. See 35 U.S.C. 316(b), as amended. Consistent with the time periods provided in 35 U.S.C. 316(a)(11), as amended, the proposed rules are designed to, except where good cause is shown to exist, result in a final determination by the Patent Trial and Appeal Board within one year of the notice of initiation of the review. This one-year review will enhance the effect on the economy, and improve the integrity of the patent system and the efficient administration of the Office.

**3. Description and Estimate of the Number of Affected Small Entities:** The Small Business Administration (SBA) small business size standards applicable to most analyses conducted to comply with the Regulatory Flexibility Act are set forth in 13 CFR 121.201. These regulations generally define small businesses as those with fewer than a specified maximum number of employees or less than a specified level of annual receipts for the entity's industrial sector or North American Industry Classification System (NAICS) code. As provided by the Regulatory Flexibility Act, and after consultation with the Small Business Administration, the Office has formally adopted an alternate size standard as the size standard for the purpose of conducting an analysis or making a certification under the Regulatory Flexibility Act for patent-related regulations. See Business Size Standard for Purposes of United States Patent and Trademark Office Regulatory Flexibility Analysis for Patent-Related Regulations, 71 FR 67109 (Nov. 20, 2006), 1313 Off. Gaz. Pat. Office 60 (Dec. 12, 2006). This alternate small business size standard is SBA's previously established size standard that identifies the criteria entities must meet to be entitled to pay reduced patent fees. See 13 CFR 121.802. If patent applicants

identify themselves on a patent application as qualifying for reduced patent fees, the Office captures this data in the Patent Application Location and Monitoring (PALM) database system, which tracks information on each patent application submitted to the Office.

Unlike the SBA small business size standards set forth in 13 CFR 121.201, the size standard for USPTO is not industry-specific. The Office's definition of a small business concern for Regulatory Flexibility Act purposes is a business or other concern that:

(1) meets the SBA's definition of a "business concern or concern" set forth in 13 CFR 121.105; and (2) meets the size standards set forth in 13 CFR 121.802 for the purpose of paying reduced patent fees, namely an entity: (a) whose number of employees, including affiliates, does not exceed 500 persons; and (b) which has not assigned, granted, conveyed, or licensed (and is under no obligation to do so) any rights in the invention to any person who made it and could not be classified as an independent inventor, or to any concern which would not qualify as a non-profit organization or a small business concern under this definition. See Business Size Standard for Purposes of United States Patent and Trademark Office Regulatory Flexibility Analysis for Patent-Related Regulations, 71 FR at 67112 (Nov 20, 2006), 1313 Off. Gaz. Pat. Office at 63 (Dec. 12, 2006).

As discussed above, it is anticipated that 460 petitions for inter partes review will be filed in fiscal year 2013. The Office has reviewed the percentage of patents for which inter partes reexamination was requested from October 1, 2000, to September 23, 2011.

A summary of that review is provided in Table 1 above. As demonstrated by Table 1, patents known to be owned by a small entity represent 32.79% of patents for which inter partes reexamination was requested. Based on an assumption that the same percentage of patents owned by small entities will be subject to the new review proceedings, it is estimated that 151 patents owned by small entities would be affected by an inter partes review.

The USPTO estimates that 2.5% of patent owners will file a request for adverse judgment prior to a decision to institute and that another 2.5% will file a request for adverse judgment or fail to participate after initiation. Specifically, an estimated 21 patent owners will file a request for adverse judgment or fail to participate after institution in inter partes review. Based on the percentage of small entity owned patents that were the subject of inter partes reexamination (32.79%) from October 1, 2000 to September 23, 2011, it is estimated that 7 small entities will file such requests or fail to participate in inter partes review proceedings.

Under the proposed rules, prior to determining whether to institute a review, the patent owner may file an optional patent owner preliminary response to the petition. Given the new time period requirements to file a petition for review before the Board relative to patent enforcement proceedings and the desire to avoid the cost of a trial and delays to related infringement actions, it is anticipated that 90% of petitions, other than those for which a request for adverse judgment is filed, will result in the filing of a patent owner preliminary response. Where an inter partes review petition is filed close to the

expiration of the one-year period set forth in 35 U.S.C. 315(b), as amended, a patent owner would likely be advantaged by filing a successful preliminary response. In view of these considerations, it is anticipated that 90% of patent owners will file a preliminary response. Specifically, the Office estimates that 406 patent owners will file a preliminary response to an inter partes review petition. Based on the percentage of small entity owned patents that were the subject of inter partes reexamination (32.79%), it is estimated that 133 small entities will file a preliminary response to an inter partes review petition in fiscal year 2013.

Under the proposed rules, the Office will determine whether to institute a trial within three months after the earlier of: (1) the submission of a patent owner preliminary response, (2) the waiver of filing a patent owner preliminary response, or (3) the expiration of the time period for filing a patent owner preliminary response. If the Office decides not to institute a trial, the petitioner may file a request for reconsideration of the Office's decision. In estimating the number of requests for reconsideration, the Office considered the percentage of inter partes reexaminations that were denied relative to those that were ordered (24 divided by 342, or 7%) in fiscal year 2011. See Reexaminations – FY 2011, [http://www.uspto.gov/patents/Reexamination\\_operational\\_statistic\\_through\\_FY2011Q4.pdf](http://www.uspto.gov/patents/Reexamination_operational_statistic_through_FY2011Q4.pdf). The Office also considered the impact of: (1) patent owner preliminary responses under newly authorized in 35 U.S.C. 313, as amended, (2) the enhanced thresholds for instituting reviews set forth in 35 U.S.C. 314(a), as amended, which would tend to increase the likelihood of dismissing a petition for review, and (3) the more restrictive

time period for filing a petition for review in 35 U.S.C. 315(b), as amended, which would tend to reduce the likelihood of dismissing a petition. Based on these considerations, it is estimated that 10% of the petitions for review (45 divided by 449) would be dismissed.

During fiscal year 2011, the Office issued twenty-one decisions following a request for reconsideration of a decision on appeal in inter partes reexamination. The average time from original decision to decision on reconsideration was 4.4 months. Thus, the decisions on reconsideration were based on original decisions issued from July 2010 until June 2011. During this time period, the Office mailed sixty-three decisions on appeals in inter partes reexamination. See BPAI Statistics – Receipts and Dispositions by Technology Center, <http://www.uspto.gov/ip/boards/bpai/stats/receipts/index.jsp> (monthly data). Based on the assumption that the same rate of reconsideration (21 divided by 63 or 33.333%) will occur, the Office estimates that 15 requests for reconsideration will be filed. Based on the percentage of small entity owned patents that were the subject of inter partes reexamination (32.79%), it is estimated that five small entities will file a request for a reconsideration of a decision dismissing the petition for inter partes review in fiscal year 2013.

The Office reviewed motions, oppositions, and replies in a number of contested trial proceedings before the trial section of the Board. The review included determining whether the motion, opposition, and reply were directed to patentability grounds and non-priority non-patentability grounds. Based on the review, it is anticipated that inter partes reviews will have an average of 6.92 motions, oppositions, and replies per trial after

institution. Settlement is estimated to occur in 20% of instituted trials at various points of the trial. In the trials that are settled, it is estimated that only 50% of the noted motions, oppositions, and replies would be filed.

After an inter partes review trial has been instituted but prior to a final written decision, parties to a review may request an oral hearing. It is anticipated that 411 requests for oral hearings will be filed based on the number of requests for oral hearings in inter partes reexamination, the stated desirability for oral hearings during the legislative process, and the public input received prior to this notice of proposed rulemaking. Based on the percentage of small entity owned patents that were the subject of inter partes reexamination (32.79%), it is estimated that 135 small entities will file a request for oral hearing in the inter partes reviews instituted in fiscal year 2013.

Parties to an inter partes review may file requests to treat a settlement as business confidential and requests for adverse judgment. A written request to make a settlement agreement available may also be filed. Given the short time period set for conducting trials, it is anticipated that the alternative dispute resolution options will be infrequently used. The Office estimates that 16 requests to treat a settlement as business confidential and 91 requests for adverse judgment, default adverse judgment, or settlement notices will be filed. The Office also estimates that 16 requests to make a settlement available will be filed. Based on the percentage of small entity owned patents that were the subject of inter partes reexamination (32.79%), it is estimated that 5 small entities will file a request to treat a settlement as business confidential, and thirty small entities will file a



request for adverse judgment, default adverse judgment notices, or settlement notices in the inter partes reviews instituted in fiscal year 2013.

Parties to an inter partes review may seek judicial review of the final decision of the Board. Historically, 33% of examiner's decisions in inter partes reexamination proceedings have been appealed to the Board. It is anticipated that 16% of final decisions of the Board would be appealed. The reduction in appeal rate is based on the higher threshold for institution, the focused process, and the experience of the Board in conducted contested cases. Therefore, it is estimated that 46 would seek judicial review of the final decisions of the Board in inter partes reviews instituted in fiscal year 2013. Furthermore, based on the percentage of small entity owned patents that were the subject of inter partes reexamination (32.79%), it is estimated that fifteen small entities would seek judicial review of final decisions of the Board in the inter partes reviews instituted in fiscal year 2013.

#### **4. Description of the Reporting, Recordkeeping, and Other Compliance**

**Requirements of the Proposed Rule, Including an Estimate of the Classes of Small Entities Which Will Be Subject to the Requirement and the Type of Professional Skills Necessary for Preparation of the Report or Record:** Based on the filing trends of inter partes reexamination requests, it is anticipated that petitions for inter partes review will be filed across all technologies with approximately 50% being filed in electrical technologies, approximately 30% in mechanical technologies, and the remaining 20% in chemical technologies and design. Under the proposed rules, a person

who is not the owner of a patent may file a petition to institute a review of the patent, with a few exceptions. Given this, it is anticipated that a petition for review is likely to be filed by an entity practicing in the same or similar field as the patent. Therefore, it is anticipated that 50% of the petitions for review will be filed in the electronic field, 30% in the mechanical field, and 20% in the chemical or design fields.

Preparation of the petition would require analyzing the patent claims, locating evidence supporting arguments of unpatentability, and preparing the petition seeking review of the patent. This notice provides the proposed procedural requirements that are common for the new trials. Additional requirements are provided in contemporaneous trial specific proposed rulemaking. The procedures for petitions to institute an inter partes review are proposed in §§ 42.5, 42.6, 42.8, 42.11, 42.13, 42.20, 42.21, 42.22, 42.24(a)(1), 42.63, 42.65, and 42.101 through 42.105.

The skills necessary to prepare a petition for review and to participate in a trial before the Patent Trial and Appeal Board would be similar to those needed to prepare a request for inter partes reexamination, to represent a party in an inter partes reexamination, and to represent a party in an interference proceeding before the Patent Trial and Appeal Board. This level of skill is typically possessed by a registered patent practitioner having devoted professional time to the particular practice area, typically under the supervision of a practitioner skilled in the particular practice area. Where authorized by the Board, a non-registered practitioner may be admitted pro hac vice, on a case-by-case basis based on the facts and circumstances of the trial and party, as well as the skill of the practitioner.

The cost of preparing a petition for inter partes review is anticipated to be the same as the cost for preparing a request for inter partes reexamination. The American Intellectual Property Law Association's AIPLA Report of the Economic Survey 2011 reported that the average cost of preparing a request for inter partes reexamination was \$46,000. Based on the work required to prepare and file such a request, the Office considers the reported cost as a reasonable estimate. Accordingly, the Office estimates that the cost of preparing a petition for inter partes review would be \$46,000 (including expert costs).

The filing of a petition for review would also require payment by the petitioner of the appropriate petition fee to recover the aggregate cost for providing the review. The appropriate petition fee would be determined by the number of claims for which review is sought and the type of review. The proposed fees for filing a petition for inter partes review are: \$27,200 for requesting review of 20 or fewer claims, \$34,000 to request review of 21 to 30 claims, \$40,800 to request review of 31 to 40 claims, \$54,400 to request review of 41 to 50 claims, \$68,000 to request review of 51 to 60 claims, and an additional \$27,200 to request review of additional groups of 10 claims.

In setting fees, the estimated information technology cost to establish the process and maintain the filing and storage system through 2017 is to be recovered by charging each petition \$2,270. The remainder of the fee is to recover the cost for judges to determine whether to institute a review and conduct the review, together with a proportionate share of indirect costs, e.g., rent, utilities, additional support, and administrative costs. Based

on the direct and indirect costs, the fully burdened cost per hour for judges to decide a petition and conduct a review is estimated to be \$258.32.

For a petition for inter partes review with 20 or fewer challenged claims, it is anticipated that 97 hours of judge time would be required. For 21 to 30 challenged claims, an additional 24 hours is anticipated for a total of 121 hours of judge time. For 31 to 40 challenged claims, an additional 48 hours is anticipated for a total of 145 hours of judge time. For 41 to 50 challenged claims, an additional 97 hours is anticipated for a total of 194 hours of judge time. For 51 to 60 claims, an additional 145 hours is anticipated for a total of 242 hours of judge time. The increase in adjustment reflects the added complexity that typically occurs as more claims are in dispute.

The proposed rules would permit the patent owner to file a preliminary response to the petition setting forth the reasons why no review should be initiated. The procedures for a patent owner to file a preliminary response as an opposition are proposed in §§ 42.6, 42.8, 42.11, 42.13, 42.21, 42.23, 42.24(b), 42.51, 42.52, 42.53, 42.54, 42.63, 42.64, 42.65, 42.107, 42.120, 42.207, and 42.220. The patent owner is not required to file a preliminary response. The Office estimates that the preparation and filing of a patent owner preliminary response would require 100 hours of professional time and cost \$34,000 (including expert costs). The AIPLA Report of the Economic Survey 2011 reported that the average cost for inter partes reexamination including of the request (\$46,000), the first patent owner response, and third party comments was \$75,000 (see I-175) and the median billing rate for professional time of \$340 per hour for

attorneys in private firms (see 8). Thus, the cost of the first patent owner reply and the third party statement is \$29,000. The Office finds these costs to be reasonable estimates. The patent owner reply and third party statement, however, occur after the examiner has made an initial threshold determination and made only the appropriate rejections. Accordingly, it is anticipated that filing a patent owner preliminary response to a petition for review would cost more than the initial reply in a reexamination, an estimated \$34,000 (including expert costs).

The Office will determine whether to institute a trial within three months after the earlier of: (1) the submission of a patent owner preliminary response, (2) the waiver of filing a patent owner preliminary response, or (3) the expiration of the time period for filing a patent owner preliminary response. If the Office decides not to institute a trial, the petitioner may file a request for reconsideration of the Office's decision. It is anticipated that a request for reconsideration will require 80 hours of professional time to prepare and file, for a cost of \$27,200. This estimate is based on the complexity of the issues and desire to avoid time bars imposed by 35 U.S.C. 315(b), as amended, and 35 U.S.C. 325(b).

Following institution of a trial, the parties may be authorized to file various motions, e.g., motions to amend and motions for additional discovery. Where a motion is authorized, an opposition may be authorized, and where an opposition is authorized, a reply may be authorized. The procedures for filing a motion are proposed in §§ 42.6, 42.8, 42.11, 42.13, 42.21, 42.22, 42.24(a)(5), 42.51, 42.52, 42.53, 42.54, 42.63, 42.64, 42.65, 42.121,

42.221, 42.123, and 42.223. The procedures for filing an opposition are proposed in §§ 42.6, 42.8, 42.11, 42.13, 42.21, 42.23, 42.24(b), 42.51, 42.52, 42.53, 42.54, 42.63, 42.64, 42.65, 42.107, 42.120, 42.207, and 42.220. The procedures for filing a reply are proposed in §§ 42.6, 42.8, 42.11, 42.13, 42.21, 42.23, 42.24(c), 42.51, 42.52, 42.53, 42.54, 42.63, and 42.65. As discussed previously, the Office estimates that the average inter partes review will have 6.92 motions, oppositions, and replies after institution.

The AIPLA Report of the Economic Survey 2011 reported that the average cost in contested cases before the trial section of the Board prior to the priority phase was \$322,000 per party. Because of the overlap of issues in patentability grounds, it is expected that the cost per motion will decline as more motions are filed in a proceeding. It is estimated that a motion, opposition, or reply in an inter partes review is estimated at \$47,600 (including expert costs). Based on the work required to file and prepare such briefs, the Office considers the reported cost as a reasonable estimate.

After a trial has been instituted but prior to a final written decision, parties to a review may request an oral hearing. The procedure for filing requests for oral argument is proposed in § 42.70. The AIPLA Report of the Economic Survey 2011 reported that the third quartile cost of an ex parte appeal with an oral argument is \$12,000, while the third quartile cost of an ex parte appeal without an oral argument is \$6,000. In view of the reported costs, which the Office finds reasonable, and the increased complexity of an oral hearing with multiple parties, it is estimated that the cost per party for oral hearings

would be \$6,800 or \$800 more than the reported third quartile cost for an ex parte oral hearing.

Parties to an inter partes review may file requests to treat a settlement as business confidential and requests for adverse judgment. A written request to make a settlement agreement available may also be filed. The procedures to file requests that a settlement be treated as business confidential are proposed in § 42.74(c). The procedures to file requests for adverse judgment are proposed in § 42.73(b). The procedures to file requests to make a settlement agreement available are proposed in § 42.74(c)(2). It is anticipated that requests to treat a settlement as business confidential will require two hours of professional time or \$680. It is anticipated that requests for adverse judgment will require one hour of professional time or \$340. It is anticipated that requests to make a settlement agreement available will require 1 hour of professional time or \$340. The requests to make a settlement agreement available will also require payment of a fee of \$400 specified in proposed § 42.15(d).

Parties to a review proceeding may seek judicial review of the judgment of the Board. The procedures to file notices of judicial review of a Board decision, including notices of appeal and notices of election provided for 35 U.S.C. 141, 142, 145, and 146, are proposed in §§ 90.1 through 90.3. The submission of a copy of a notice of appeal or a notice of election is anticipated to require six minutes of professional time at a cost of \$34.

**5. Description of Any Significant Alternatives to the Proposed Rules Which Accomplish the Stated Objectives of Applicable Statutes and Which Minimize Any Significant Economic Impact of the Rules on Small Entities:**

**Size of petitions and motions:** The Office considered whether to apply a page limit and what an appropriate page limit would be. The Office does not currently have a page limit on inter partes reexamination requests. The inter partes reexamination requests from October 1, 2010, to June 30, 2011, averaged 246 pages. Based on the experience of processing inter partes reexamination requests, the Office finds that the very large size of the requests has created a burden on the Office that hinders the efficiency and timeliness of processing the requests, and creates a burden on patent owners. The quarterly reported average processing time from the filing of a request to the publication of a reexamination certificate ranged from 28.9 months to 41.7 months in fiscal year 2009, from 29.5 months to 37.6 months in fiscal year 2010, and from 31.9 to 38.0 months in fiscal year 2011. See Reexaminations – FY 2011, [http://www.uspto.gov/patents/Reexamination\\_operational\\_statistic\\_through\\_FY2011Q4.pdf](http://www.uspto.gov/patents/Reexamination_operational_statistic_through_FY2011Q4.pdf).

By contrast, the Office has a page limit on the motions filed in contested cases, except where parties are specifically authorized to exceed the limitation. The typical contested case proceeding is subject to a standing order that sets a 50 page limit for motions and oppositions on priority, a 15 page limit for miscellaneous motions (§ 41.121(a)(3)) and oppositions (§ 41.122), and a 25 page limit for other motions (§ 41.121(a)(2)) and



oppositions to other motions. In typical proceedings, replies are subject to a 15 page limit if directed to priority, 5 page limit for miscellaneous issues, and 10 page limit for other motions. The average contested case was terminated in 10.1 months in fiscal year 2009, in 12 months in fiscal year 2010, and in 9 months in fiscal year 2011. The percentage of contested cases terminated within two years was 93.7% in fiscal year 2009, 88.0% in fiscal year 2010, and 94.0% in fiscal year 2011. See BPAI Statistics – Performance Measures, <http://www.uspto.gov/ip/boards/bpai/stats/perform/index.jsp>.

Comparing the average time period for terminating a contested case, 10.0 to 12.0 months, with the average time period, during fiscal years 2009 through 2011, for completing an inter partes reexamination, 28.9 to 41.7 months, indicates that the average interference takes from 24% (10.0/41.7) to 42% (12.0/28.9) of the time of the average inter partes reexamination. While several factors contribute to the reduction in time, limiting the size of the requests and motions is considered a significant factor. Proposed § 42.24 would provide page limits for petitions, motions, oppositions, and replies. 35 U.S.C. 316(b), as amended, provides considerations that are to be taken into account when prescribing regulations including the integrity of the patent system, the efficient administration of the Office, and the ability to complete timely the trials. The page limits proposed in these rules are consistent with these considerations.

Federal courts routinely use page limits in managing motions practice as “[e]ffective writing is concise writing.” Spaziano v. Singletary, 36 F.3d 1028, 1031 n.2 (11th Cir. 1994). Many district courts restrict the number of pages that may be filed in a motion

including, for example, the District of Delaware, the District of New Jersey, the Eastern District of Texas, the Northern, Central, and Southern Districts of California, and the Eastern District of Virginia.

Federal courts have found that page limits ease the burden on both the parties and the courts, and patent cases are no exception. Eolas Techs., Inc. v. Adobe Sys., Inc., No. 6:09-CV-446, at 1 (E.D. Tex. Sept. 2, 2010) (“The Local Rules’ page limits ease the burden of motion practice on both the Court and the parties.”); Blackboard, Inc. v. Desire2Learn, Inc., 521 F. Supp. 2d 575, 576 (E.D. Tex. 2007) (The parties “seem to share the misconception, popular in some circles, that motion practice exists to require federal judges to shovel through steaming mounds of pleonastic arguments in a Herculean effort to uncover a hidden gem of logic that will ineluctably compel a favorable ruling. Nothing could be farther from the truth.”); Broadwater v. Heidtman Steel Prods., Inc., 182 F. Supp. 2d 705, 710 (S.D. Ill. 2002) (“Counsel are strongly advised, in the future, to not ask this Court for leave to file any memoranda (supporting or opposing dispositive motions) longer than 15 pages. The Court has handled complicated patent cases and employment discrimination cases in which the parties were able to limit their briefs supporting and opposing summary judgment to 10 or 15 pages.” (Emphasis omitted)).

The Board’s contested cases experience with page limits in motions practice is consistent with that of the federal courts. The Board’s use of page limits has shown it to be beneficial without being unduly restrictive for the parties. Page limits have encouraged

the parties to focus on dispositive issues, easing the burden of motions practice on the parties and on the Board.

The Board's contested cases experience with page limits is informed by its use of different approaches over the years. In the early 1990s, page limits were not routinely used for motions, and the practice suffered from lengthy and unacceptable delays. To reduce the burden on the parties and on the Board and thereby reduce the time to decision, the Board instituted page limits in the late 1990s for every motion. Page limit practice was found to be effective in reducing the burdens on the parties and improving decision times at the Board. In 2006, the Board revised the page limit practice and allowed unlimited findings of fact and generally limited the number of pages containing argument. Due to abuses of the system, the Board recently reverted back to page limits for the entire motion (both argument and findings of fact).

The Board's current page limits are consistent with the 25-page limits in the Northern, Central, and Southern Districts of California and the Middle District of Florida and exceed the limits in the District of Delaware (20), the Northern District of Illinois (15), the District of Massachusetts (20), the Eastern District of Michigan (20), the Southern District of Florida (20), and the Southern District of Illinois (20).

In a typical proceeding before the Board, a party may be authorized to file a single motion for unpatentability based on prior art, a single motion for unpatentability based upon failure to comply with 35 U.S.C. 112, lack of written description, and/or

enablement, and potentially another motion for lack of compliance with 35 U.S.C. 101, although a 35 U.S.C. 101 motion may be required to be combined with the 35 U.S.C. 112 motion. Each of these motions is currently limited to 25 pages in length, unless good cause is shown that the page limits are unduly restrictive for a particular motion.

Under the proposed rules, an inter partes review petition would be based upon any grounds identified in 35 U.S.C. 311(b), as amended, i.e., only a ground that could be raised under 35 U.S.C. 102 or 103 and only on the basis of patents or printed publications. Generally, under current practice, a party is limited to filing a single prior art motion, limited to 25 pages in length. The proposed rule would provide up to 50 pages in length for a motion requesting inter partes review. Thus, as the proposed page limit doubles the default page limit currently set for a motion before the Board, a 50 page limit is considered sufficient in all but exceptional cases and is consistent with the considerations provided in 35 U.S.C. 316(b), as amended.

The proposed rule would provide that petitions to institute a trial must comply with the stated page limits but may be accompanied by a motion that seeks to waive the page limits. The petitioner must show in the motion how a waiver of the page limits is in the interests of justice. A copy of the desired non-page limited petition must accompany the motion. Generally, the Board would decide the motion prior to deciding whether to institute the trial.

Current Board practice provides a limit of 25 pages for other motions and 15 pages for miscellaneous motions. The Board's experience is that such page limits are sufficient for the parties filing them and do not unduly burden the opposing party or the Board.

Petitions to institute a trial would generally replace the current practice of filing motions for unpatentability, as most motions for relief are expected to be similar to the current interference miscellaneous motion practice. Accordingly, the proposed 15 page limit is considered sufficient for most motions but may be adjusted where the limit is determined to be unduly restrictive for the relief requested.

Proposed § 42.24(b) would provide page limits for oppositions filed in response to motions. Current contested cases practice provides an equal number of pages for an opposition as its corresponding motion. This is generally consistent with motions practice in federal courts. The proposed rule would continue the current practice.

Proposed § 42.24(c) would provide page limits for replies. Current contested case practice provides a 15 page limit for priority motion replies, a 5 page limit for miscellaneous (procedural) motion replies, and a 10 page limit for all other motions. The proposed rule is consistent with current contested case practice for procedural motions. The proposed rule would provide a 15 page limit for reply to petitions requesting a trial, which the Office believes is sufficient based on current practice. Current contested case practice has shown that such page limits do not unduly restrict the parties and, in fact, have provided sufficient flexibility to parties to not only reply to the motion but also help

to focus on the issues. Thus, it is anticipated that default page limits would minimize the economic impact on small entities by focusing on the issues in the trials.

The Leahy-Smith America Invents Act requires that the Director, in prescribing rules for the inter partes reviews, consider the effect of the rules on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to complete timely the instituted proceedings. See 35 U.S.C. 316(b), as amended. In view of the actual results of the duration of proceedings in inter partes reexamination (without page limits) and contested cases (with page limits), proposing procedures with reasonable page limits would be consistent with the objectives set forth in the Leahy-Smith America Invents Act. Based on our experience on the time needed to complete a non-page limited proceeding, the option of non-page limited proceedings was not adopted.

**Fee Setting:** 35 U.S.C. 311(a), as amended, requires the Director to establish fees to be paid by the person requesting the review in such amounts as the Director determines to be reasonable, considering the aggregate costs of the review. In contrast to current 35 U.S.C. 311(b) and 312(c), the Leahy-Smith America Invents Act requires the Director to establish more than one fee for reviews based on the total cost of performing the reviews, and does not provide for refund of any part of the fee when the Director determine that the review should not be initiated.

35 U.S.C. 312(a)(1), as amended, further requires that the fee established by the Director under 35 U.S.C. 311(a), as amended, accompany the petition on filing. Accordingly, in interpreting the fee setting authority in 35 U.S.C. 311(a), as amended, it is reasonable that the Director should set a number of fees for filing a petition based on the anticipated aggregate cost of conducting the review depending on the complexity of the review, and require payment of the fee upon filing of the petition.

Based on experience with contested cases and inter partes reexamination proceedings, the following characteristics of requests were considered as potential factors for fee setting as each would likely impact the cost of providing the new services. The Office also considered the relative difficulty in administering each option in selecting the characteristics for which different fees should be paid for requesting review.

I. Adopted Option. Number of claims for which review is requested. The number of claims often impacts the complexity of the request and increases the demands placed on the deciding officials. Cf. In re Katz Interactive Call Processing Patent Litig., 639 F.3d 1303, 1309 (Fed. Cir. 2011) (limiting number of asserted claims is appropriate to efficiently manage a case). Moreover, the number of claims for which review is requested can be easily determined and administered, which avoids delays in the Office and the impact on the economy or patent system that would occur if an otherwise meritorious request is refused due to improper fee payment. Any subsequent petition would be time barred in view 35 U.S.C. 315(b), as amended.

II. Alternative Option I. Number of grounds for which review is requested.

The Office has experience with large numbers of cumulative grounds being presented in inter partes reexaminations which often add little value to the proceedings. Allowing for a large number of grounds to be presented on payment of an additional fee(s) is not favored. Determination of the number of grounds in a request may be contentious and difficult and may result in a large amount of high-level petition work. As such, the option would have a negative impact on small entities. Moreover, interferences instituted in the 1980s and early 1990s suffered from this problem as there was no page limit for motions and the parties had little incentive to focus the issues for decision. The resulting interference records were often a collection of disparate issues and evidence. This led to lengthy and unwarranted delays in deciding interference cases as well as increased costs for parties and the Office. Accordingly, this alternative is inconsistent with objectives of the Leahy-Smith America Invents Act that the Director, in prescribing rules for the inter partes reviews, consider the effect of the rules on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete the instituted proceedings.

III. Alternative Option II. Pages of argument. The Office has experience with large requests in inter partes reexamination in which the merits of the proceedings could have been resolved in a shorter request. Allowing for unnecessarily large requests on payment of an additional fee(s) is not favored. Moreover, determination of what should be counted as “argument” as compared with “evidence” has often proven to be



contentious and difficult as administered in the current inter partes reexamination appeal process.

In addition, the trial section of the Board recently experimented with motions having a fixed page limit for the argument section and an unlimited number of pages for the statement of facts. Unlimited pages for the statement of facts led to a dramatic increase in the number of alleged facts and pages associated with those facts. For example, one party used approximately 10 pages for a single “fact” that merely cut and pasted a portion of a declarant’s cross-examination. Based upon the trial section’s experience with unlimited pages of facts, the Board recently reverted back to a fixed page limit for the entire motion (argument and facts). Accordingly, this alternative is inconsistent with objectives of the Leahy-Smith America Invents Act that the Director, in prescribing rules for the inter partes patent reviews, consider the effect of the rules on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to complete timely the instituted proceedings.

IV. Alternative Option III. The Office considered an alternative fee setting regime in which fees are charged at various steps in the review process, a first fee on filing of the petition, a second fee if instituted, a third fee on filing a motion in opposition to amended claims, etc. The alternative fee setting regime would hamper the ability of the Office to complete timely reviews, would result in dismissal of pending proceedings with patentability in doubt due to non-payment of required fees by third parties, and would be inconsistent with 35 U.S.C. 312, as amended, that requires the fee established

by the Director be paid at the time of filing the petition. Accordingly, this alternative is inconsistent with objectives of the Leahy-Smith America Invents Act that the Director, in prescribing rules for inter partes reviews, consider the effect of the rules on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to complete timely the instituted proceedings.

V. Alternative Option IV. The Office also considered setting reduced fees for small and micro entities and to provide refunds if a review is not instituted. The Office may set the fee to recover the cost of providing the services under 35 U.S.C. 41(d)(2)(a). Fees set under this authority are not reduced for small entities, see 35 U.S.C. 42(h)(1), as amended. Moreover, the Office does not have authority to refund fees that when paid were not paid by mistake or in excess of that owed. See 35 U.S.C. 42(d).

**Discovery:** The Office considered a procedure for discovery similar to the one available during district court litigation. Discovery of that scope has been criticized sharply, particularly when attorneys use discovery tools as tactical weapons, which hinders the “just, speedy, and inexpensive determination of every action and proceeding.” See Introduction to An E-Discovery Model Order, available at [http://www.cafc.uscourts.gov/images/stories/announcements/Ediscovery\\_Model\\_Order.p](http://www.cafc.uscourts.gov/images/stories/announcements/Ediscovery_Model_Order.pdf)df. Accordingly, this alternative would have been inconsistent with objectives of the Leahy-Smith America Invents Act that the Director, in prescribing rules for the inter partes reviews, consider the effect of the rules on the economy, the integrity of the patent

system, the efficient administration of the Office, and the ability of the Office to complete timely the instituted proceedings.

Additional discovery increases trial costs and increases the expenditures of time by the parties and the Board. To promote effective discovery, the proposed rule would require a showing that additional requested discovery is in the interests of justice, placing an affirmative burden upon a party seeking the discovery to show how the proposed discovery would be productive. The Board's interference experience, however, is that such showings are often lacking and authorization for additional discovery is expected to be rare.

The proposed interest of justice standard for additional discovery is consistent with considerations identified in 35 U.S.C. 316(b), as amended, including the efficient administration of the Board and the Board's ability to complete timely trials. Further, the proposed interest of justice standard is consistent with 35 U.S.C. 316(a)(5), as amended, which states that discovery other than depositions of witnesses submitting affidavits and declarations be what is otherwise necessary in the interests of justice.

The Office has proposed a default scheduling order to provide limited discovery as a matter of right and also the ability to seek additional discovery on a case-by-case basis. In weighing the need for additional discovery, should a request be made, the economic impact on the opposing party would be considered which would tend to limit additional discovery where a party is a small entity.

**Pro Hac Vice:** The Office considered whether to allow counsel to appear pro hac vice.

In certain cases, highly skilled, but non-registered, attorneys have appeared satisfactorily before the Board in contested cases. The Board may recognize counsel pro hac vice during a proceeding upon a showing of good cause. Proceedings before the Office can be technically complex. Consequently, the grant of a motion to appear pro hac vice is a discretionary action taking into account the specifics of the proceedings. Similarly, the revocation of pro hac vice is a discretionary action taking into account various factors, including incompetence, unwillingness to abide by the Office's Rules of Professional Conduct, prior findings of misconduct before the Office in other proceedings, and incivility.

The Board's past practice has required the filing of a motion by a registered patent practitioner seeking pro hac vice representation based upon a showing of: (1) how qualified the unregistered practitioner is to represent the party in the proceeding when measured against a registered practitioner, and (2) whether the party has a genuine need to have the particular unregistered practitioner represent it during the proceeding. This practice has proven effective in the limited number of contested cases where such requests have been granted. The proposed rule, if adopted, would allow for this practice in the new proceedings authorized by the Leahy-Smith America Invents Act.

The proposed rules would provide a limited delegation to the Board under 35 U.S.C. 2(b)(2) and 32 to regulate the conduct of counsel in Board proceedings. The proposed

rule would delegate to the Board the authority to conduct counsel disqualification proceedings while the Board has jurisdiction over a proceeding. The rule would also delegate to the Chief Administrative Patent Judge the authority to make final a decision to disqualify counsel in a proceeding before the Board for the purposes of judicial review. This delegation would not derogate from the Director the prerogative to make such decisions, nor would it prevent the Chief Administrative Patent Judge from further delegating authority to an administrative patent judge.

The Office considered broadly permitting practitioners not registered to practice by the Office to represent parties in trial as well as categorically prohibiting such practice. A prohibition on the practice would be inconsistent with the Board's experience, and more importantly, might result in increased costs particularly where a small entity has selected its district court litigation team for representation before the Board and has a patent review filed after litigation efforts have commenced. Alternatively, broadly making the practice available would create burdens on the Office in administering the trials and in completing the trial within the established time frame, particularly if the selected practitioner does not have the requisite skill. In weighing the desirability of admitting a practitioner pro hac vice, the economic impact on the party in interest would be considered which would tend to increase the likelihood that a small entity could be represented by a non-registered practitioner. Accordingly, the alternatives to eliminate pro hac vice practice or to permit it more broadly would have been inconsistent with objectives of the Leahy-Smith America Invents Act that the Director, in prescribing rules for the inter partes reviews, consider the effect of the rules on the economy, the integrity

of the patent system, the efficient administration of the Office, and the ability of the Office to complete timely the instituted proceedings.

**Threshold for Instituting a Review:** The Office considered whether the threshold for instituting a review could be set as low as or lower than the threshold for ex parte reexamination. This alternative could not be adopted in view of the statutory requirements in 35 U.S.C. 314, as amended.

**Default Electronic Filing:** The Office considered a paper filing system and a mandatory electronic filing system (without any exceptions) as alternatives to the proposed requirement that all papers are to be electronically filed, unless otherwise authorized.

Based on the Office's experience, a paper-based filing system increases delay in processing papers, delay in public availability, and the chance that a paper may be misplaced or made available to an improper party if confidential. Accordingly, the alternative of a paper-based filing system would have been inconsistent with objectives of the Leahy-Smith America Invents Act that the Director, in prescribing rules for the inter partes reviews, consider the effect of the rules on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to complete timely the instituted proceedings.

An electronic filing system (without any exceptions) that is rigidly applied would result in unnecessary cost and burdens, particularly where a party lacks the ability to file

electronically. By contrast, if the proposed option is adopted, it is expected that the entity size and sophistication would be considered in determining whether alternative filing methods would be authorized.

**6. Identification, to the Extent Practicable, of All Relevant Federal Rules Which May Duplicate, Overlap, or Conflict with the Proposed Rules:**

37 CFR 1.99 provides for the submission of information after publication of a patent application during examination by third parties.

37 CFR 1.171-1.179 provide for applications to reissue a patent to correct errors, including where a claim in a patent is overly broad.

37 CFR 1.291 provides for the protest against the issuance of a patent during examination.

37 CFR 1.321 provides for the disclaimer of a claim by a patentee.

37 CFR 1.501 and 1.502 provide for ex parte reexamination of patents. Under these rules, a person may submit to the Office prior art consisting of patents or printed publications that are pertinent to the patentability of any claim of a patent, and request reexamination of any claim in the patent on the basis of the cited prior art patents or printed publications. Consistent with 35 U.S.C. 302-307, ex parte reexamination rules provide a different threshold for initiation, require the proceeding to be conducted by an examiner with a right of appeal to the Patent Trial and Appeal Board, and allow for limited participation by third parties.

37 CFR 1.902-1.997 provide for inter partes reexamination of patents. Similar to ex parte reexamination, inter partes reexamination provides a procedure in which a third party may request reexamination of any claim in a patent on the basis of the cited prior art patents and printed publication. The inter partes reexamination practice will be eliminated, except for requests filed before the effective date, September 16, 2012. See § 6(c)(3)(C) of the Leahy-Smith America Invents Act.

Other countries have their own patent laws, and an entity desiring a patent in a particular country must make an application for patent in that country, in accordance with the applicable law. Although the potential for overlap exists internationally, this cannot be avoided except by treaty (such as the Paris Convention for the Protection of Industrial Property, or the Patent Cooperation Treaty (PCT)). Nevertheless, the Office believes that there are no other duplicative or overlapping foreign rules.

**C. Executive Order 12866 (Regulatory Planning and Review):** This rulemaking has been determined to be significant for purposes of Executive Order 12866 (Sept. 30, 1993), as amended by Executive Order 13258 (Feb. 26, 2002) and Executive Order 13422 (Jan. 18, 2007).

The Office estimates that the aggregate burden of the proposed rules on the public for implementing the new review procedures is approximately \$54.1 million for fiscal year 2013. The USPTO considered several factors in making this estimate.



Based on the petition and other filing requirements for initiating an inter partes review proceeding, the USPTO initially estimated the burden of the proposed rules to be \$174,500,217 in fiscal year 2013, which represents the sum of the estimated total annual (hour) respondent cost burden (\$158,025,744) plus the estimated total annual non-hour respondent cost burden (\$16,474,473) provided in Part O, Section II, of this notice, infra. However, since the Leahy-Smith America Invents Act also eliminates inter partes reexamination practice (except for requests filed before the effective date of September 16, 2012), the burden of the proposed rules should be offset by the elimination of the proceeding and its associated burdens.

It is estimated that 460 new requests for inter partes reexamination would have been filed in FY 2012 if the Leahy-Smith America Invents Act had not been enacted. This estimate is based on the number of proceedings filed in fiscal years 2011 (374), 2010 (281), and 2009 (258). Elimination of 460 proceedings reduces the public's burden to pay filing fees by \$4,048,000 (460 filings with \$8,800 filing fee due) and the public's burden to prepare the requests by \$21,160,000 (460 filings with \$46,000 average cost to prepare). Based on the assumption that 93% of the requests would be ordered (consistent with the fiscal year 2011 grant rate), the burden to conduct the proceeding till close of prosecution will reduce the public's burden by \$89,880,000 (428 proceedings that would be estimated to be granted reexamination multiplied by \$210,000 which is average cost cited in the AIPLA Report of the Economic Survey 2011 per party cost until close of prosecution reduced by the \$46,000 request preparation cost). Additionally, the burden on the public

to appeal to the Board by \$5,358,000 (based on an estimate that 141 proceedings would be appealed to the Board which is estimated based on the number of granted proceedings (428) and the historical rate of appeal to the Board (1/3) and an average public cost of \$38,000). Thus, \$120,446,000 in public burden will be eliminated by the elimination of new filings of inter partes reexamination (the sum of \$4,048,000 (the filing fees), \$21,160,000 (the cost of preparing requests), \$89,880,000 (the prosecution costs), plus \$5,358,000 (the burden to appeal to the Board)).

Therefore, the estimated aggregate burden of the proposed rules for implementing the new review proceedings would be \$54,054,217 (\$174,500,217 minus \$120,446,000) in fiscal year 2013.

The USPTO expect several benefits to flow from the Leahy-Smith America Invents Act and these proposed rules. It is anticipated that the proposed rules will reduce the time for reviewing patents at the USPTO. Specifically, 35 U.S.C. 316(a), as amended, provides that the Director prescribe regulations requiring a final determination by the Board within one year of initiation, which may be extended for up to six months for good cause. In contrast, currently for inter partes reexamination, the average time from the filing to the publication of a certificate ranged from 28.9 to 41.7 months during fiscal years 2009-2011. See Reexamination – FY 2011, [http://www.uspto.gov/patents/Reexamination\\_operational\\_statistic\\_through\\_FY2011Q4.pdf](http://www.uspto.gov/patents/Reexamination_operational_statistic_through_FY2011Q4.pdf).

Likewise, it is anticipated that the proposed rules will minimize duplication of efforts. In particular, the Leahy-Smith America Invents Act provides more coordination between district court infringement litigation and inter partes review to reduce duplication of efforts and costs. For instance, 35 U.S.C. 315(b), as amended, will require that a petition for inter partes review be filed within one year of the date of service of a complaint alleging infringement of a patent. By requiring the filing of an inter partes review petition earlier than a request for inter partes reexamination, and by providing shorter timelines for inter partes review compared with reexamination, it is anticipated that the current high level of duplication between litigation and reexamination will be reduced.

The AIPLA Report of the Economic Survey 2011 reports that the total cost of patent litigation where the damages at risk are less than \$1,000,000 average \$916,000, where the damages at risk are between \$1,000,000 and \$25,000,000 average \$2,769,000, and where the damages at risk exceed \$25,000,000 average \$6,018,000. There may be a significant reduction in overall burden if, as intended, the Leahy-Smith America Invents Act and the proposed rules reduce the overlap between review at the USPTO of issued patents and validity determination during patent infringement actions. Data from the United States district courts reveals that 2,830 patent cases were filed in 2006, 2,896 in 2007, 2,909 in 2008, 2,792 in 2009, and 3,301 in 2010. See U.S. Courts, Judicial Business of the United States Courts,

[www.uscourts.gov/uscourts/Statistics/JudicialBusiness/2010/appendices/C02ASep10.pdf](http://www.uscourts.gov/uscourts/Statistics/JudicialBusiness/2010/appendices/C02ASep10.pdf) (last visited Nov. 11, 2011) (hosting annual reports for 1997–2010). Thus, the Office estimates that a total of approximately 3,300 patent cases (the highest number of yearly

filings between 2006 and 2010 rounded to the nearest 100) are likely to be filed annually. The aggregate burden estimate above (\$54,054,144) was not offset by a reduction in burden based on improved coordination between district court patent litigation and the new inter partes review proceedings.

**D. Executive Order 13563 (Improving Regulation and Regulatory Review):** The Office has complied with Executive Order 13563. Specifically, the Office has, to the extent feasible and applicable: (1) made a reasoned determination that the benefits justify the costs of the rule; (2) tailored the rule to impose the least burden on society consistent with obtaining the regulatory objectives; (3) selected a regulatory approach that maximizes net benefits; (4) specified performance objectives; (5) identified and assessed available alternatives; (6) involved the public in an open exchange of information and perspectives among experts in relevant disciplines, affected stakeholders in the private sector, and the public as a whole, and provided online access to the rule making docket; (7) attempted to promote coordination, simplification, and harmonization across government agencies and identified goals designed to promote innovation; (8) considered approaches that reduce burdens and maintain flexibility and freedom of choice for the public; and (9) ensured the objectivity of scientific and technological information and processes.

**E. Executive Order 13132 (Federalism):** This rulemaking does not contain policies with federalism implications sufficient to warrant preparation of a Federalism Assessment under Executive Order 13132 (Aug. 4, 1999).

**F. Executive Order 13175 (Tribal Consultation):** This rulemaking will not: (1) have substantial direct effects on one or more Indian tribes; (2) impose substantial direct compliance costs on Indian tribal governments; or (3) preempt tribal law. Therefore, a tribal summary impact statement is not required under Executive Order 13175 (Nov. 6, 2000).

**G. Executive Order 13211 (Energy Effects):** This rulemaking is not a significant energy action under Executive Order 13211 because this rulemaking is not likely to have a significant adverse effect on the supply, distribution, or use of energy. Therefore, a Statement of Energy Effects is not required under Executive Order 13211 (May 18, 2001).

**H. Executive Order 12988 (Civil Justice Reform):** This rulemaking meets applicable standards to minimize litigation, eliminate ambiguity, and reduce burden as set forth in sections 3(a) and 3(b)(2) of Executive Order 12988 (Feb. 5, 1996). This rulemaking carries out a statute designed to lessen litigation. See H.R. Rep. No. 112-98, at 45-48.

**I. Executive Order 13045 (Protection of Children):** This rulemaking does not concern an environmental risk to health or safety that may disproportionately affect children under Executive Order 13045 (Apr. 21, 1997).

**J. Executive Order 12630 (Taking of Private Property):** This rulemaking will not effect a taking of private property or otherwise have taking implications under Executive Order 12630 (Mar. 15, 1988).

**K. Congressional Review Act:** Under the Congressional Review Act provisions of the Small Business Regulatory Enforcement Fairness Act of 1996 (5 U.S.C. 801-808), prior to issuing any final rule, the United States Patent and Trademark Office will submit a report containing the final rule and other required information to the U.S. Senate, the U.S. House of Representatives, and the Comptroller General of the Government Accountability Office. The changes in this notice are not expected to result in an annual effect on the economy of 100 million dollars or more, a major increase in costs or prices, or significant adverse effects on competition, employment, investment, productivity, innovation, or the ability of United States-based enterprises to compete with foreign based enterprises in domestic and export markets. Therefore, this notice is not expected to result in a “major rule” as defined in 5 U.S.C. 804(2).

**L. Unfunded Mandates Reform Act of 1995:** The changes proposed in this notice do not involve a Federal intergovernmental mandate that will result in the expenditure by State, local, and tribal governments, in the aggregate, of 100 million dollars (as adjusted)

or more in any one year, or a Federal private sector mandate that will result in the expenditure by the private sector of 100 million dollars (as adjusted) or more in any one year, and will not significantly or uniquely affect small governments. Therefore, no actions are necessary under the provisions of the Unfunded Mandates Reform Act of 1995. See 2 U.S.C. 1501-1571.

**M. National Environmental Policy Act:** This rulemaking will not have any effect on the quality of the environment and is thus categorically excluded from review under the National Environmental Policy Act of 1969. See 42 U.S.C. 4321-4370h.

**N. National Technology Transfer and Advancement Act:** The requirements of section 12(d) of the National Technology Transfer and Advancement Act of 1995 (15 U.S.C. 272 note) are not applicable because this rulemaking does not contain provisions which involve the use of technical standards.

**O. Paperwork Reduction Act:** The Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3549) requires that the USPTO consider the impact of paperwork and other information collection burdens imposed on the public. This proposed rulemaking involves information collection requirements which are subject to review by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3549). The collection of information involved in this notice has been submitted to OMB under OMB control number 0651-00xx. In the Notice “Rules of Practice for Trials before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions,” RIN 0651-AC70, the information collection for all of the new trials

authorized by the Leahy-Smith America Invents Act were provided. This notice provides the subset of burden created by the inter partes review provisions. The proposed collection will be available at the OMB's Information Collection Review Web site at: [www.reginfo.gov/public/do/PRAMain](http://www.reginfo.gov/public/do/PRAMain).

The USPTO is submitting the information collection to OMB for its review and approval because this notice of proposed rulemaking will add the following to a collection of information:

- (1) petitions to institute an inter partes review (§§ 42.5, 42.6, 42.8, 42.11, 42.13, 42.20, 42.21, 42.22, 42.24(a)(1), 42.63, 42.65, and 42.101 through 42.105);
- (2) motions (§§ 42.6, 42.8, 42.11, 42.13, 42.21, 42.22, 42.24(a)(5), 42.51 through 42.54, 42.63, 42.64, 42.65, and 42.121);
- (3) oppositions (§§ 42.6, 42.8, 42.11, 42.13, 42.21, 42.23, 42.24(b), 42.51, 42.52, 42.53, 42.54, 42.63, 42.64, 42.65, 42.107, and 42.120); and
- (4) replies provided for in 35 U.S.C. 135 and 311-318, as amended, and new 35 U.S.C. 319 (§§ 42.6, 42.8, 42.11, 42.13, 42.21, 42.23, 42.24(c), 42.51, 42.52, 42.53, 42.54, 42.63, and 42.65).

The proposed rules also permit filing requests for oral argument (§ 42.70) provided for in 35 U.S.C. 316(a)(10), as amended, requests for rehearing (§ 42.71(c)), requests for adverse judgment (§ 42.73(b)), requests that a settlement be treated as business confidential (§ 42.74(b)) provided for in 35 U.S.C. 317, as amended.



**I. Abstract:** The USPTO is required by 35 U.S.C. 131 and 151 to examine applications and, when appropriate, issue applications as patents.

Chapter 31 of title 35, United States Code, in effect on September 16, 2012, provides for inter partes review proceedings allowing third parties to petition the USPTO to review the patentability of an issued patent under 35 U.S.C. 102 and 103 based on patents and printed publications. If a trial is initiated by the USPTO based on the petition, as authorized by the USPTO, additional motions may be filed by the petitioner. A patent owner may file a response to the petition and if a trial is instituted, as authorized by the USPTO, may file additional motions.

In estimating the number of hours necessary for preparing a petition to institute an inter partes review, the USPTO considered the estimated cost of preparing a request for inter partes reexamination (\$46,000), the median billing rate (\$340/hour), and the observation that the cost of inter partes reexamination has risen the fastest of all litigation costs since 2009 in the AIPLA Report of the Economic Survey 2011. It was estimated that a petition for an inter partes review and an inter partes reexamination request would cost the same to the preparing party (\$46,000).

In estimating the number of hours necessary for preparing motions after instituting and participating in the review, the USPTO considered the AIPLA Report of the Economic Survey 2011 which reported the average cost of a party to a two-party interference to the end of the preliminary motion phase (\$322,000) and inclusive of all costs (\$631,000).

The Office considered that the preliminary motion phase is a good proxy for patentability reviews since that is the period of current contested cases before the trial section of the Board where most patentability motions are currently filed.

The USPTO also reviewed recent contested cases before the trial section of the Board to make estimates on the average number of motions for any matter including priority, the subset of those motions directed to non-priority issues, the subset of those motions directed to non-priority patentability issues, and the subset of those motions directed to patentability issues based on a patent or printed publication on the basis of 35 U.S.C. 102 or 103. The review of current contested cases before the trial section of the Board indicated that approximately 15% of motions were directed to prior art grounds, 18% of motions were directed to other patentability grounds, 27% were directed to miscellaneous issues, and 40% were directed to priority issues. It was estimated that the cost per motion to a party in current contested cases before the trial section of the Board declines because of overlap in subject matter, expert overlap, and familiarity with the technical subject matter. Given the overlap of subject matter, a proceeding with fewer motions will have a somewhat less than proportional decrease in costs since the overlapping costs will be spread over fewer motions.

It is estimated that the cost of an inter partes review would be 60% of the cost of current contested cases before the trial section of the Board to the end of the preliminary motion period. An inter partes review should have many fewer motions since only one party will have a patent that is the subject of the proceeding (compared with each party having at

least a patent or an application in current contested cases before the trial section of the Board). Moreover, fewer issues can be raised since inter partes review will not have priority-related issues that must be addressed in current contested cases before the trial section of the Board. Consequently, a 60% weighting factor should capture the typical costs of an inter partes review.

The title, description, and respondent description of the information collection are shown below with an estimate of the annual reporting burdens for the inter partes review provisions. Included in this estimate is the time for reviewing instructions, gathering and maintaining the data needed, and completing and reviewing the collection of information. The principal impact of the proposed changes in this notice of proposed rulemaking is to implement the changes to Office practice necessitated by section 6(a) of the Leahy-Smith America Invents Act.

The public uses this information collection to request inter partes review and to ensure that the associated fees and documentation are submitted to the USPTO.

## **II. Data**

**Needs and Uses:** The information supplied to the USPTO by a petition to institute an inter partes review as well as the motions authorized following the institution is used by the USPTO to determine whether to initiate a review under 35 U.S.C. 314, as amended, and to prepare a final decision under 35 U.S.C. 318, as amended.

**OMB Number:** 0651-00xx

**Title:** Patent Review and Derivation Proceedings

**Form Numbers:** None

**Type of Review:** New Collection

**Likely Respondents/Affected Public:** Individuals or households, businesses, or other for-profit, not-for-profit institutions, farms, Federal Government, and state, local, or tribal governments.

**Estimated Number of Respondents/Frequency of Collection:** 920 respondents and 4,024 responses per year.

**Estimated Time Per Response:** The USPTO estimates that it will take the public from 0.1 to 180.4 hours to gather the necessary information, prepare the documents, and submit the information to the USPTO.

**Estimated Total Annual Respondent Burden Hours:** 464,781.6 hours per year.

**Estimated Total Annual (Hour) Respondent Cost Burden:** \$158,025,744 per year. The USPTO expects that the information in this collection will be prepared by attorneys. Using the professional rate of \$340 per hour for attorneys in private firms, the USPTO estimates that the respondent cost burden for this collection will be approximately \$158,025,744 per year (464,781.6 hours per year multiplied by \$340 per hour).

**Estimated Total Annual Non-hour Respondent Cost Burden:** \$16,474,473 per year. There are no capital start-up or maintenance costs associated with this information collection. However, this collection does have annual (non-hour) costs in the form of filing fees and postage costs where filing via mail is authorized. It is estimated that filing

via mail will be authorized in one inter partes review petition filing and 3 subsequent papers. There are filing fees associated with petitions for inter partes review, post-grant review, and covered business method patent review and for requests to treat a settlement as business confidential. The total filing fees for this collection are calculated in the accompanying table. The USPTO estimates that filings authorized to be filed via mail will be mailed to the USPTO by Express Mail using the U.S. Postal Service's flat rate envelope, which can accommodate varying submission weights, estimated in this case to be 16 ounces for the petitions and two ounces for the other papers. The cost of the flat rate envelope is \$18.30. The USPTO estimates that the total postage cost associated with this collection will be approximately \$73 per year. The USPTO estimates that the total fees associated with this collection will be approximately \$16,474,473 per year.

Therefore, the total cost burden in fiscal year 2013 is estimated to be \$174,500,217 (the sum of the estimated total annual (hour) respondent cost burden (\$158,025,744) plus the estimated total annual non-hour respondent cost burden (\$16,474,473)).

<b>Item</b>	<b>Estimated time for response</b>	<b>Estimated annual responses</b>	<b>Estimated annual burden hours</b>
Petition for <u>inter partes</u> review	135.3 hours	460	62,238
Reply to initial <u>inter partes</u> review petition	100 hours	406	40,600
Request for Reconsideration	80 hours	127	10,160
Motions, replies, and oppositions after institution in <u>inter partes</u> review	140 hours	2,453	343,420
Request for oral hearing	20 hours	411	8,220
Request to treat a settlement as business confidential	2 hours	16	32
Request for adverse judgment, default adverse judgment, or settlement	1 hour	91	91
Request to make a settlement agreement available	1 hours	16	16
Notice of judicial review of a Board decision (e.g., notice of appeal under 35 U.S.C. 142)	0.1 hour	46	4.6
<b>Totals</b>	<b>.....</b>	<b>4,026</b>	<b>464,781.6</b>

<b>Item</b>	<b>Estimated annual responses</b>	<b>Fee amount</b>	<b>Estimated annual filing costs</b>
Petition for <u>inter partes</u> review	460	\$35,800	\$16,468,000
Reply to <u>inter partes</u> review petition	406	0	0
Request for Reconsideration	127	0	0
Motions, replies, and oppositions after initiation in <u>inter partes</u> review	2,453	0	0
Request for oral hearing	411	0	0
Request to treat a settlement as business confidential	16	0	0
Request for adverse judgment, default adverse judgment, or settlement	91	0	0
Request to make a settlement agreement available	16	\$400	\$6,400
Notice of judicial review of a Board decision (e.g., notice of appeal under 35 U.S.C. 142)	46	0	0
<b>Totals</b>	<b>4,026</b>	<b>....</b>	<b>\$16,474,400</b>

### **III. Solicitation**

The agency is soliciting comments to: (1) evaluate whether the proposed information requirement is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility; (2) evaluate the accuracy of the agency's estimate of the burden; (3) enhance the quality, utility, and clarity of the information to be collected; and (4) minimize the burden of collecting the information on those who are to respond, including by using appropriate automated, electronic,

mechanical, or other technological collection techniques or other forms of information technology.

Interested persons are requested to send comments regarding this information collection by **[INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**, to: (1) The Office of Information and Regulatory Affairs, Office of Management and Budget, New Executive Office Building, Room 10202, 725 17<sup>th</sup> Street, NW, Washington, DC 20503, Attention: Nicholas A. Fraser, the Desk Officer for the United States Patent and Trademark Office, and via email at [nfraser@omb.eop.gov](mailto:nfraser@omb.eop.gov); and (2) The Board of Patent Appeals and Interferences by electronic mail message over the Internet addressed to [inter\\_partes\\_review@uspto.gov](mailto:inter_partes_review@uspto.gov), or by mail addressed to: Mail Stop Patent Board, Director of the United States Patent and Trademark Office, P.O. Box 1450, Alexandria, VA 22313-1450, marked to the attention of “Lead Judge Michael Tierney, Inter partes Review Proposed Rules.”

Notwithstanding any other provision of law, no person is required to respond to nor shall a person be subject to a penalty for failure to comply with a collection of information subject to the requirements of the Paperwork Reduction Act unless that collection of information displays a currently valid OMB control number.

#### **List of Subjects in 37 CFR Part 42**

Administrative practice and procedure, Inventions and patents, Lawyers.



## **Proposed Amendments to the Regulatory Text**

For the reasons stated in the preamble, the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office **propose to amend 37 CFR part 42 as proposed to be added** in the February 9, 2012, **issue of the Federal Register as follows:**

### **PART 42——TRIAL PRACTICE BEFORE THE PATENT TRIAL AND APPEAL BOARD**

1. The authority citation for 37 CFR part 42 continues to read as follows:

**Authority:** 35 U.S.C. 2(b)(2), 6, 21, 23, 41, 135, 311, 312, 316, 321-326 and Leahy-Smith America Invents Act, Pub. L. 112-29, sections 6(c), 6(f), and 18, 125 Stat. 284, 304, 311, and 329 (2011).

2. Add subpart B to read as follows:

#### **Subpart B – Inter Partes Review**

Sec.

General

- 42.100 Procedure; pendency.
- 42.101 Who may petition for inter partes review.
- 42.102 Time for filing.
- 42.103 Inter partes review fee.
- 42.104 Content of petition.
- 42.105 Service of petition.
- 42.106 Filing date.
- 42.107 Preliminary response to petition.

#### Instituting Inter Partes Review

- 42.108 Institution of inter partes review.

## After Institution of Inter Partes Review

- 42.120 Patent owner response.
- 42.121 Amendment of the patent.
- 42.122 Multiple proceedings.
- 42.123 Filing of supplemental information.

### **Subpart B – Inter Partes Review**

#### **General**

#### **§ 42.100 Procedure; pendency.**

(a) An inter partes review is a trial subject to the procedures set forth in subpart A of this part.

(b) A claim in an unexpired patent shall be given its broadest reasonable construction in light of the specification of the patent in which it appears.

(c) An inter partes review proceeding shall be administered such that pendency before the Board after institution is normally no more than one year. The time can be extended by up to six months for good cause by the Chief Administrative Patent Judge.

#### **§ 42.101 Who may petition for inter partes review.**

A person who is not the owner of a patent may file with the Office a petition to institute an inter partes review of the patent unless:

(a) Before the date on which the petition for review is filed, the petitioner or real party in interest filed a civil action challenging the validity of a claim of the patent;

(b) The petition requesting the proceeding is filed more than one year after the date on which the petitioner, the petitioner's real party in interest, or a privy of the petitioner is served with a complaint alleging infringement of the patent; or

(c) The petitioner, the petitioner's real party in interest, or a privy of the petitioner is estopped from challenging the claims on the grounds identified in the petition.

**§ 42.102 Time for filing.**

(a) A petition for inter partes review of a patent must be filed after the later of:

(1) The date that is nine months after the date of the grant of the patent or of the issuance of the reissue patent; or

(2) If a post-grant review is instituted as set forth in subpart C of this part, the date of the termination of such post-grant review.

(b) The Director may impose a limit on the number of inter partes reviews that may be instituted during each of the first four one-year periods in which the amendment made to chapter 31 of title 35, United States Code, is in effect by providing notice in the Office's Official Gazette or Federal Register. Petitions filed after an established limit has been reached will be deemed untimely.

**§ 42.103 Inter partes review fee.**

(a) An inter partes review fee set forth in § 42.15(a) must accompany the petition.

(b) No filing date will be accorded to the petition until full payment is received.

**§ 42.104 Content of petition.**

In addition to the requirements of §§ 42.8 and 42.22, the petition must set forth:

(a) Grounds for standing. The petitioner must certify that the patent for which review is sought is available for inter partes review and that the petitioner is not barred or estopped from requesting an inter partes review of the patent.

(b) Identification of challenge. Provide a statement of the precise relief requested for each claim challenged. The statement must identify the following:

(1) The claim;

(2) The specific statutory grounds under 35 U.S.C. 102 or 103 on which the challenge to the claim is based and the patents or printed publications relied upon for each ground;

(3) How the challenged claim is to be construed. Where the claim to be construed contains a means-plus-function or step-plus-function limitation as permitted under 35 U.S.C. 112, sixth paragraph, the construction of the claim must identify the specific portions of the specification that describe the structure, material, or acts corresponding to each claimed function;

(4) How the construed claim is unpatentable under the statutory grounds identified in paragraph (b)(2) of this section. The petition must specify where each element of the claim is found in the prior art patents or printed publications relied upon; and

(5) The exhibit number of the supporting evidence relied upon to support the challenge and state the relevance of the evidence to the challenge raised, including identifying specific portions of the evidence that support the challenge. The Board may exclude or give no weight to the evidence where a party has failed to state its relevance or to identify specific portions of the evidence that support the challenge.

(c) A motion may be filed that seeks to correct a clerical or typographical mistake in the petition. The grant of such a motion does not change the filing date of the petition.

#### **§ 42.105 Service of petition.**

In addition to the requirements of § 42.6, the petitioner must serve the petition and exhibits relied upon in the petition as follows:

(a) The petition and supporting evidence must be served on the patent owner at the correspondence address of record for the subject patent. The petitioner may additionally serve the petition and supporting evidence on the patent owner at any other address known to the petitioner as likely to effect service.

(b) If the petitioner cannot effect service of the petition and supporting evidence on the patent owner at the correspondence address of record for the subject patent, the petitioner must immediately contact the Board to discuss alternate modes of service.

#### **§ 42.106 Filing date.**

(a) Complete petition. A petition to institute inter partes review will not be accorded a filing date until the petition satisfies all of the following requirements:

(1) Complies with § 42.104;

(2) Service of the petition on the correspondence address of record as provided in § 42.105(a); and

(3) Is accompanied by the fee to institute required in § 42.15(a).

(b) Incomplete petition. Where a party files an incomplete petition, no filing date will be accorded, and the Office will dismiss the petition if the deficiency in the petition is not corrected within one month from the notice of an incomplete petition.

**§ 42.107 Preliminary response to petition.**

(a) The patent owner may file a preliminary response to the petition. The response is limited to setting forth the reasons why no inter partes review should be instituted under 35 U.S.C. 314. The response can include evidence except as provided in paragraph (c) of this section. The preliminary response is an opposition for purposes of determining page limits under § 42.24.

(b) Due date. The preliminary response must be filed no later than two months after the date of a notice indicating that the request to institute an inter partes review has been granted a filing date. A patent owner may expedite the proceeding by filing an election to waive the preliminary patent owner response.

(c) No new testimonial evidence. The preliminary response shall not present new testimony evidence beyond that already of record.

(d) No amendment. The preliminary response shall not include any amendment.

(e) Disclaim Patent Claims. The patent owner may file a statutory disclaimer under 35 U.S.C. 253(a) in compliance with § 1.321(a), disclaiming one or more claims in the patent. No inter partes review will be instituted based on disclaimed claims.

**Instituting Inter Partes Review**

**§ 42.108 Institution of inter partes review.**

(a) When instituting inter partes review, the Board may authorize the review to proceed on all or some of the challenged claims and on all or some of the grounds of unpatentability asserted for each claim.

(b) At any time prior to institution of inter partes review, the Board may deny some or all grounds for unpatentability for some or all of the challenged claims. Denial of a ground is a Board decision not to institute inter partes review on that ground.

(c) Sufficient grounds. Inter partes review shall not be instituted for a ground of unpatentability unless the Board decides that the petition supporting the ground would, if unrebutted, demonstrate that there is a reasonable likelihood that at least one of the claims challenged in the petition is unpatentable. The Board's decision will take into account a preliminary patent owner response where such a response is filed.

#### **After Institution of Inter Partes Review**

##### **§ 42.120 Patent owner response.**

(a) Scope. A patent owner may file a response to the petition addressing any ground for unpatentability not already denied. A patent owner response is filed as an opposition and is subject to the page limits provided in § 42.24.

(b) Due date for response. If no time for filing a patent owner response to a petition is provided in a Board order, the default date for filing a patent owner response is two months from the date the inter partes review was instituted.

##### **§ 42.121 Amendment of the patent.**

(a) A patent owner may file one motion to amend a patent but only after conferring with the Board. Any additional motions to amend may not be filed without Board authorization.

(b) A motion to amend must set forth:

(1) The support in the original disclosure of the patent for each claim that is added or amended; and

(2) The support in an earlier filed disclosure for each claim for which benefit of the filing date of the earlier filed disclosure is sought.

(c) A motion to amend the claims of a patent will not be authorized where:

(1) The amendment does not respond to a ground of unpatentability involved in the trial; or

(2) The amendment seeks to enlarge the scope of the claims of the patent or introduce new subject matter.

#### **§ 42.122 Multiple proceedings.**

Where another matter involving the patent is before the Office, the Board may during the pendency of the inter partes review enter any appropriate order regarding the additional matter including providing for the stay, transfer, consolidation, or termination of any such matter.



**§ 42.123 Filing of supplemental information.**

Once a trial has been instituted, a petitioner may request authorization to file a motion identifying supplemental information relevant to a ground for which the trial has been instituted. The request must be made within one month of the date the trial is instituted.

Date: January 31, 2012

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David J. Kappos  
Under Secretary of Commerce for Intellectual Property and  
Director of the United States Patent and Trademark Office

[FR Doc. 2012-2534 Filed 02/09/2012 at 8:45 am; Publication Date: 02/10/2012]